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World Business Newspaper
WEDNESDAY NOVEMBER 22 1995
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C&W chairman and chief executive go in power struggle

Cable and Wireless chairman Lord Young of Graffham and chief executive James Ross left the UK company after two days of crisis talks failed to resolve a bitter power struggle. The two were asked to leave the company "with immediate effect" but C&W refused to clarify whether they had been asked to resign or had been fired. Brian Smith, chairman of the British Airports Authority and a non-executive director of C&W until June 1995, has been appointed non-executive chairman. Page 17; Editorial Comment, Page 15; Lex, Page 16; Japanese expansion, Page 22

China to try leading dissident: China said it will try its leading dissident Wei Jingsheng on charges of "engaging in activities in an attempt to overthrow the Chinese government", which carry the death penalty, in a move which seems certain to affect Sino-US relations. Page 16; India backs WTO entry, Page 8

Dow Chemical group in Argentine deal: A consortium led by Dow Chemical won control of a significant proportion of Argentina's ethylene and PVC production, through the $357.5m purchase of government stakes in two chemical companies. Page 17

Global audience for royal interview: The frank interview given by the Princess of Wales to the British Broadcasting Corporation was compulsive viewing for royal watchers across the globe – in Australia, it was the most watched programme in television history while more than 500,000 people watched it in the Netherlands. Page 16; Power demand surges, Page 11

De La Rue warns of profit fall: Shares in UK banknote and specialist printer De La Rue fell more than 20 per cent after it reported half-year profits down at £69.1m ($109m), from £72.8m, and warned full-year profits would fall. Page 17; Lex, Page 22

EU meat hormone ban reviewed: More than 80 international scientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the policy. Page 6

BAT, the international tobacco group, has agreed to pay $88m for a 65 per cent share of the state-owned Augustow tobacco plant in Poland. Page 18

González pushes for EU enlargement: Spanish prime minister Felipe González called on European Union leaders to accelerate enlargement to central and eastern Europe. Page 3

Stratton wins Czech paper battle: US investment company, Stratton, secured control of the management board of Czech paper producer Sepap, at the centre of the Czech Republic's first big corporate takeover battle. Page 18

Row as Peres forms new government: Israel's acting prime minister Shimon Peres formed a new government, sparking controversy by taking the defence ministry himself. Page 6

Montupet, the French car components company, is to create 1,360 new jobs over the next six years in a £142m ($221.5m) expansion of its Belfast plant. Page 10

West found guilty of three murders:

A British jury found Rosemary West (left) guilty on the first three of 10 murder charges she faced, including the killings of her stepdaughter Charmaine, her daughter Heather and an 18-year-old lodger in the Gloucester, west England, house she shared with her husband Frederick, who hanged himself in January in jail where he was awaiting trial. The jury is continuing deliberations on the other charges.

Cambodian prince charged: Prince Norodom Sirivudh, half-brother of Cambodian King Norodom Sihanouk, was charged with plotting to assassinate a political rival. Page 8

Gold producer to shed 3,450 jobs: The world's biggest gold producer, Freegold mines of South Africa, will cut 3,450 jobs in the latest stage of an industry-wide restructuring. Page 6; Commodities, Page 27

India to change Bombay's name: The Indian cabinet decided to change the name of its financial centre, Bombay, to Mumbai following demands to restore to the city's ethnic name from the westernised one. Page 8

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,008.74	(+25.65)
NASDAQ Composite	1,027.47	(-2.00)
Europe and Far East		
CAC40	1,872.93	(-8.47)
DAX	2,205.06	(-13.24)
FT-SE 100	3,604.1	(-24.7)
Nikkei	18,384.32	(+0.50)

US LUNCHTIME RATES

Federal Funds	5$\frac{11}{16}$%
3-mth Treas Bills: Yld	5.492%
Long Bond	108$\frac{5}{8}$
Yield	6.251%

OTHER RATES

UK: 3-mo Interbank	6$\frac{11}{16}$%	(6$\frac{11}{16}$%)
UK: 10 yr Gilt	105$\frac{1}{2}$	(105$\frac{1}{32}$)
France: 10 yr OAT	105.15	(same)
Germany: 10 yr Bund	101.12	(101.05)
Japan: 10 yr JGB	112.961	(112.924)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$16.705	(16.82)

GOLD

New York Comex:		
(Dec)	$385.4	(387.1)
London:		
close	$385.5	(386.4)

DOLLAR

New York lunchtime:		
£	1.5585	
DM	1.40925	
FFr	4.8625	
SFr	1.1383	
Y	101.6	
London:		
£	1.559	(1.5463)
DM	1.40	(1.4125)
FFr	4.865	(4.8677)
SFr	1.1376	(1.1402)
Y	101.355	(101.39)

STERLING

DM	2.1849	(2.1842)
Tokyo close:	Y 101.5	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh18	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (mI'and)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Agreement is reached after secretive negotiations looked close to a breakdown

Deal to end Bosnia war is agreed

By Bruce Clark and Laura Silber in Dayton, Ohio.

Leaders of Bosnia, Serbia and Croatia yesterday initialled a comprehensive US-sponsored plan designed to bring peace to the region after almost four years of brutal conflict.

The plan to re-establish a Bosnian state, divided between a Serb zone and a Muslim-Croat federation was agreed at a US air force base after three weeks of intense and secretive negotiations which were looking close to breakdown till the last moment.

US President Bill Clinton said that the "people of Bosnia finally have a chance to turn from the horrors of war to the promise of peace". Mr Clinton now faces the challenge of persuading the US Congress to endorse the sending of about 20,000 US soldiers to Bosnia as part of a Nato peace force.

The negotiations at the air base in Dayton, Ohio, were revived from virtual collapse yesterday after Mr Alija Izetbegovic, the Bosnian president, was persuaded to lift his objections to a deal that his Serbian and Croatian counterparts had broadly accepted.

"There was snow in the morning and sun at midday", said Mr Carl Bildt, the European Union mediator on Bosnia, in reference to the final hours of negotiation early yesterday.

The accord initialled by Mr Izetbegovic, by Mr Slobodan Milosevic, Serbia's president, and Mr Franjo Tudjman, their Croatian counterpart, calls for free elections throughout Bosnia next year, freedom of movement and the punishment of war criminals.

Under the accord, the new Bosnian state will have a central government authority, representing all ethnic groups and responsible for external policy, monetary policy and issues of citizenship.

Diplomats said that if all went to plan, the agreement would be formally signed at a ceremony in Paris within two weeks, and Nato would start deploying its peace implementation force a few days after that.

The White House said that President Clinton would attend the signing ceremony.

Mr Clinton promised US legislators yesterday that he would review Nato plans for a peacekeeping force carefully, and refer them to Congress before allowing US troops to be sent. This process of US consultation, whose outcome is far from certain, was expected to take place before the Paris conference.

Diplomats at the Dayton talks said it remained unclear how willing the Bosnian Serb forces would be to retreat behind the partition lines envisaged by the agreement, which allocates 49 per cent of Bosnia's territory to Serb administration.

Another shadow over the peace process was the sharp division which emerged at the Dayton talks within Bosnia's mainly Moslem leadership. Some Bosnian officials have suggested that they would rather have US arms and money than US ground troops in their country.

Mr Muhamed Sacirbey, the Bosnian foreign minister who complained a few days ago that a "bad settlement" was in prospect, contacted several news organisations early yesterday to say the peace process had broken down irreparably.

The final bone of contention – the status of the town of Brcko which lies on the route between Belgrade and Serb–held Bosnia – was eventually referred to arbitration; diplomats said disputes over this issue could still reignite.

US officials said that in keeping with earlier promises to the parties, they would move rapidly to secure the suspension of UN economic sanctions against Serbia and the lifting of the UN arms embargo against Bosnia.

Bosnia has insisted on clear promises of military aid from the US before agreeing to the lifting of the ecooomic stranglehold of Bosnia. However, European diplomats said yesterday they were still worried that large US arms deliveries to Bosnia could destabilise the region.

President Milosevic of Serbia praised the deal, saying the time had come for economic recovery and co-operation.

He said it meant economic sanctions against rump Yugoslavia would be suspended.

'The presidents of Bosnia, Croatia and Serbia have made a historic and heroic choice. They have heeded the will of their people.'
President Bill Clinton

'This peace agreement should give Europe a new chance to dedicate itself more fully to the important task of speeding up the process of integration across the entire continent.'
UN mediator Thorvald Stoltenberg

The deal 'brings to a close the biggest armed conflict in post-war Europe. The basis for lasting peace has been laid.'
German foreign minister Klaus Kinkel

On sending US troops to Bosnia: 'I am not prepared to vote yes but I would discourage any member [of the House] from automatically voting no.'
US House of Representatives Speaker Newt Gingrich

President Bill Clinton announces the Bosnia peace deal during a press conference in the White House rose garden yesterday Picture: Reuters

Euro-MPs back ban on 'cold calling' in EU

By Emma Tucker in Brussels and Diane Summers in London

A ban on telephone "cold calling" throughout the European Union was yesterday approved by Euro-MPs, to the consternation of direct marketing and distance selling organisations.

In a move designed to spare people from what MEPs consider to be irritating telephone calls, a key parliamentary committee voted to make prior consent from consumers obligatory before a seller can approach them by telephone.

The proposed ban also applies to communications by e-mail, raising fears among publishing organisations that the development of the information society in Europe could be damaged.

The vote will have particularly strong repercussions in the UK, where telephone sales are highly developed, but will please authorities in Germany where cold calling remains outlawed.

The Direct Marketing Association, the UK trade body representing most large organisations using telephone sales, said selling over the phone, whether to a "cold" prospect or even an existing customer, would become virtually impossible.

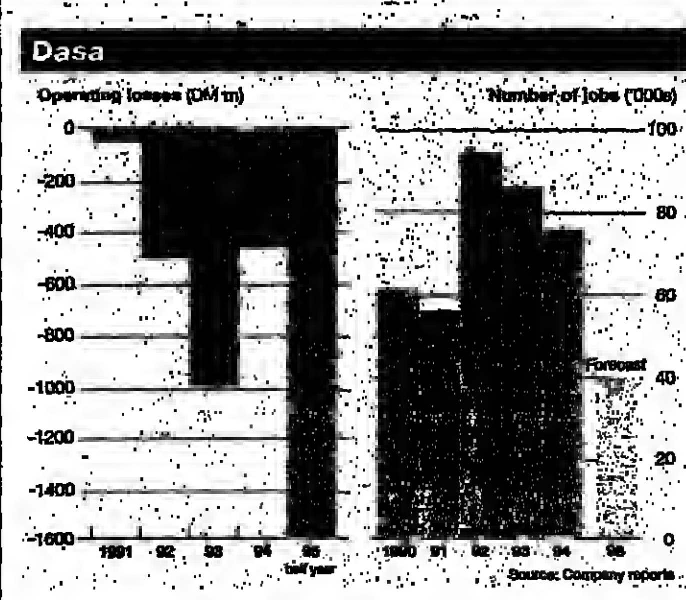
"Telemarketing is a growing industry which employs 800,000 people in the UK and has an estimated expenditure of £10.4bn. If this amendment is accepted a considerable percentage of these jobs would be lost," said the DMA.

The amendments have yet to be approved by the full parliament. However, it is rare for the parliament to vote against the recommendations of its key committees. The vote is expected to take place in early December.

The issue will then return to the council of ministers, which could reject the parliamentary

Continued on Page 16

Dasa faces action over plan to sack 9,000



By Wolfgang Münchau in Frankfurt

Daimler-Benz Aerospace (Dasa) faces the prospect of widescale industrial action after a decision yesterday to go ahead with plans to dismiss almost 9,000 workers.

Dasa hopes to end a long phase of crippling losses, which stemmed from overcapacity and the strength of the D-Mark, through a package of restructuring measures known as Dolores – or dollar-low rescue.

The heads of Dasa's work councils are due to meet shortly to discuss a response to the plans. It is expected within the company that industrial action is now almost inevitable.

Daimler-Benz, Europe's largest industrial company, said yesterday its main board had "basically passed" the Dolores programme, which was approved by Dasa's board on Monday. Under the measures, Dasa will close or sell three factories and reduce its workforce by 8,800 staff by 1998. Its workforce will shrink to just over 40,000 excluding Fokker, the Dutch aircraft company, and Eurocopter, the Franco-German helicopter joint venture.

The decision to endorse Dolores without significant modifications underlines the company's determination to stick to its tough position in this industrial dispute. Most of the job cuts will hit Dasa's two large Airbus plants in Hamburg and Bremen.

Daimler-Benz has come under heavy fire from investors after announcing a six-month loss of

Continued on Page 16

Russian companies strike barter deals

By Chrystia Freeland in Moscow

Workers in the Siberian city of Barnaul face four more months of sub-zero temperatures, but at least they can count on the comfort of lit stoves and cigarettes – the Barnaul Match Factory, one of the city's biggest employers, yesterday paid each worker 5,000 boxes of matches in lieu of wages.

The reversion to barter deals in Barnaul is part of a wider national trend. Thousands of factories struggling to survive in the harsh economic climate created by the Kremlin's austere policies are paying workers in kind, or not paying them at all.

This shift has prompted some Russian businessmen to warn that, instead of progressing from communism to capitalism, the country is sinking back to a primitive barter economy.

For enterprises like the match factory, barter is the only immediate solution to a cash-squeeze which left the plant unable to buy cardboard packing to continue production and with no money to pay wages. But Barnaul's customers face a cash shortage as well, leaving the factory with vast stocks of unsold matches. So, when managers sent workers on two weeks' unpaid leave, they gave each the matches in lieu of wages.

The workers are likely to sell them in local markets, where they are expected to fetch around Rb500,000 ($100), close to the average monthly wage.

Thousands of miles to the east, at Zvezda, a once elite defence dockyard on the Pacific coast which repairs nuclear submarines, wage packets have also become a thing of the past. The yard has fallen on such hard times that instead of a salary, workers receive a daily bread allowance of 750g per family.

The Kremlin's tough economic programme has been particularly painful for military enterprises because, in its efforts to meet strict budget deficit targets agreed with the International Monetary Fund, the government

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NEWS: PEACE DEAL IN DAYTON

Little to counter the demons of disintegration

Precedents – from the Lebanon to Cyprus and the old Yugoslavia – suggest the kind of state envisaged can only work through the application of enormous pressure, write **Bruce Clark** and **Laura Silber**

The loosely structured Bosnian state whose creation is envisaged by yesterday's deal will not be the first effort to bind together several bitterly antagonistic communities in a ramshackle political entity.

The precedents – ranging from the elaborate power-sharing arrangements of Lebanon to the failed "bi-national" state of Cyprus – are not encouraging: they suggest that nothing can make such a state work except the application of enormous pressure – military, diplomatic and economic – to counter the demons of disintegration.

It is an open question how effective the central government of Bosnia – a kind of umbrella body exercising loose authority over the Serb zone of the republic and a Croat-Moslem federation – will prove to be.

Like Yugoslavia in its final years of existence, the new Bosnia will have a presidency that rotates between the republic's rival communities. But the rotating chairmanship of the Yugoslav state, which eventually collapsed, depended for its effectiveness on an authoritarian Communist party and secret police determined to keep the country together.

Bosnia itself had a collective presidency, designed to balance the interests of its rival ethnic groups, under the Yugoslav system. But the nationalist politicians who were elected to that institution by Bosnia's one and only multi-party election – in 1990 – later became the protagonists in the nightmarish war that began in 1992.

The most ruthless of those power-brokers, at least on the Serb side, will be knocked out of the political arena by the Dayton agreement's insistence that the tribunal in The Hague should pursue its cases against those it suspects of having committed war crimes.

But it remains unlikely that, after three and a half years of war, fresh elections would throw up a new generation of politicians who trust each other more.

On the positive side, the Dayton agreements provide for the new Bosnia to have a single central bank and monetary system. This is likely to be one of the main channels for the soft loans and reconstruction aid which the international community has tentatively promised. During the final years of the Yugoslav state, one of the few remaining functions of the central government was to act as a funnel for soft western credits – and once these dried up, the break-up of the state was accelerated.

The viability of the new Bosnia will also depend on the extent to which foreign governments are prepared to use the central bank as the channel for aid – and to insist that the proceeds be shared out fairly between the communities. Several western politicians have said they are reluctant to see any aid channelled to the Bosnian Serbs, whom they see as mainly responsible for the destruction of the war.

Perhaps the most optimistic provision of the Dayton agreements is the suggestion that refugees should be allowed to return to *their homes*. The war has transformed Bosnia from a complex cultural mosaic into a war-scarred and embittered wasteland whose regions have become ethnically compact and "pure" – in the grim language of the ethnic cleansers. It is hard to imagine citizens of one group living safely under the authority of local warlords who represent a rival group.

Even between the Croats and Moslems, who are notional allies against the Serbs, there has been virtually no progress towards a mutually agreed return of refugees, in spite of massive international pressure and the availability of generous resettlement aid.

Bosnian President Alija Izetbegovic and Croatian President Franjo Tudjman recommitted themselves at an earlier ceremony in Dayton to the principle that refugees should be allowed to go home – but moves to implement that deal have been negligible.

About half Bosnia's pre-war population of 4m has been displaced by the war, and it seems likely that many of them will have to settle for financial compensation rather than preserve the hope of eventually going home.

In practice, only the presence of overwhelming military force would persuade the local warlords in, for example, the Serb-held lands of eastern Bosnia to allow Moslems who fled earlier "cleansing" campaigns to return to their place of origin.

If they do manage to return, and their homes have not been reduced to rubble, many of them will find Serb refugees from elsewhere in Bosnia and Croatia living there.

■ US TUSSLE IN PROSPECT

Now Clinton must convince the Congress

By Jurek Martin in Washington

President Bill Clinton now has a two-fisted fight on his hands with Congress. It is hard to say which will prove the tougher: agreeing on a budget, or preventing the legislature from trying to block the deployment of up to 25,000 US troops as part of Nato's Bosnia force.

At his press conference yesterday, Mr Clinton seemed to buy some time for the Bosnian part. "A period of weeks" would elapse before the signing of the final peace agreement which would then "trigger" the Nato mission.

Consultation on the details of that mission, including its normally "robust" terms of engagement, would also have to wait until he had himself agreed to it. But he noted that the operation would be under direct US command.

The president tried to contact the congressional leadership before his announcement (he only managed to get through to Congressman Newt Gingrich, the Speaker) and devoted much of his statement to making the generalised case for US participation.

Now that the three Balkan leaders had reached their agreement, "we must help them make it work". The US, as Nato's leader, "must play a central role". The alternative was for the US public to watch more years of carnage on its TV screens each night.

He also made it clear that, although he wanted to "hear from" Congress and hoped for its support, he did not believe the legislature had the authority to stop a president deploying troops overseas.

That will not be easy. There is little doubt that political and public opinion on the left and right does not currently favour a US military presence in Bosnia. Last Friday, after a bitter debate that nearly erupted into a physical brawl, the House passed by 243-171 a motion requiring prior congressional approval for such an operation.

That result was not as bad as it looks for the president. It was well short of the two-thirds needed to override a veto and it even represented an improvement on a 315-103 vote in the House on October 30 warning the Dayton negotiators that they should not count on US military involvement.

A comparable motion may not even carry the Senate. However, Senator Bob Dole, the majority leader, reiterated this week that Mr Clinton still had not made a convincing case for a US deployment.

Mr Gingrich said he looked at the prospect "sceptically but with an open mind", promised hearings next week and even offered to send a Congressional delegation to Bosnia for a first-hand inspection.

Mr Dole's presidential ambitions (he is Mr Clinton's probable opponent next November) could persuade him to try to block deployment and revert to the policies that he has long favoured. These are essentially an end to the arms embargo and the recreation of a true Bosnian multi-ethnic state by military means, though with only indirect US involvement.

But he may also need to calculate the consequences of such a course of action for his foreign policy should he become president. He may not wish to be blamed, in the upcoming campaign or after, for the deterioration of transatlantic relationships and European security that, as Mr Clinton said again yesterday, would be the consequences of a Nato bereft of US leadership.

A third element in the president's struggle for approval is public opinion. Having disappeared from the airwaves for several weeks, rightwing talk radio is once again consumed with Bosnia. Mr Oliver North, now a programme host, declared this week that "president Pinocchio's great Balkan adventure" was solely motivated by politics and had to be resisted at all costs.

But even he acknowledged that the public tended to rally around a president when US soldiers were at risk overseas. Mr Clinton will never win over the former architect of Iran-Contra, but the right arguments and enough time just might work on Congress.

■ POSAVINA CORRIDOR

Last land obstacle pushed aside

By Laura Silber in Dayton

To Bosnian Serb propagandists it is the lifeline of their nation. To the Bosnian government it is a deadly challenge to its hopes of building a unified state. To negotiators at Dayton it was the last obstacle to yesterday's peace deal.

It is called the Posavina corridor. It follows the fertile Sava river valley, Bosnia's frontier with Croatia, and it is the issue over which a whole series of previous attempts to make peace in former Yugoslavia have collapsed.

The 50km strip of land, about 7km wide at its narrowest point, was carved out by Serb troops in the first six months of the war as a link between Serbia proper and Serb-held lands in Bosnia and Croatia.

The Serbs claim to have seized it on June 28 1992, the anniversary of two significant events in their history – the assassination of Archduke Franz Ferdinand in Sarajevo in 1914 which led to the First World War, and the Battle of Kosovo, when the Turks conquered the Serbs in 1389.

The Bosnians, suspicious of Serb-Croat collusion, have accused the Croats of retreating tactically to allow the corridor to be created.

Town after town has been devastated in battles for control of the strategic route.

Serb forces destroyed mosques and Catholic churches in an attempt to erase all traces of the Moslems and Croats who lived in the region for centuries until they were driven out in 1992.

For Belgrade, the corridor is a guarantee that Serb communities outside Serbia can be sustained. The term "koridor", at first rejected as foreign by Bosnian Serb leaders, has entered modern Serbian folklore. Songs and poems have been dedicated to it.

President Slobodan Milosevic wanted the tenuous land-link to be widened to up to 20km to cement the Serbs' hold over northern Bosnia and secure an air corridor between Belgrade and western Bosnia.

It also wanted to control Orasje, the Croat bridgehead on the right bank of the Sava.

Serbia feared that if Moslem leaders persuaded Washington to make the corridor narrower, Greater Serbia would be lost and the Serbs defeated. A narrower corridor might also have allowed the Croats eventually to win control over parts of western Bosnia, including the Serb stronghold of Banja Luka.

The Moslem-led Bosnian government wanted access to the River Sava at Brcko, a town at the choke-point in the corridor, which was predominantly Moslem before the war erupted in April 1992.

It was not the final dimensions of the corridor which almost wrecked yesterday's agreement, it was the status of Brcko which kept the sides talking for more than 24 hours after the US "final deadline" on Monday.

Under the deal, the status of this town will be referred to international arbitration.

The attitude of the Croatian government may have been crucial in overcoming this obstacle. President Bill Clinton telephoned President Franjo Tudjman of Croatia on Monday night asking him to show flexibility.

Bosnia-Hercegovina: main provisions of the US peace plan

● Preserve Bosnia as a single state within its present borders. The state would be made up of two parts: a Bosnian-Croat Federation and a Bosnian Serb Republic, with a "fair distribution of land between the two".

● The capital city of Sarajevo will remain united. It is to have an "effective" central government, including a national parliament, the presidency and a constitutional court with responsibility for foreign policy, foreign trade, monetary policy, citizenship, immigration and other important functions.

● The presidency and the parliament will be chosen through free, democratic elections held under international supervision.

● Refugees will be allowed to return to their homes. People will be able to move freely throughout Bosnia and the human rights "of every Bosnian citizen" will be monitored by an independent commission and an internationally trained civilian police force. Individuals charged with war crimes will be excluded from political life.

● A "strong international force" should supervise the separation of forces to give them confidence that each side will live up to their agreements. Mr Clinton said: "only Nato can do that job, and the US, as Nato's leader, must play an essential role in this mission".

■ VIEW FROM SARAJEVO

Relief but little joy in Bosnian capital

By Harriet Martin in Sarajevo

In the icy streets of Sarajevo last night, there was some relief but little joy that the talks in Dayton had reached a *positive conclusion*.

For most Sarajevans, knowledge that the US agreement upheld the *de facto* three-way carve up of their country, tasted bitterly of defeat.

Bosnia's leaders came to accept that there could be no peace unless they sacrificed their goal of a united Bosnia, but many in the capital believe this to be a short-term solution. They expect that war will return before long.

Lejla Hodzic, a 28-year-old engineering student, said: "Those who signed this agreement were bullied into it. I don't believe that this settlement will bring freedom or peace. Nato will only be here for a year. And what will happen when they leave?

"It just means before long, maybe a year or two, the war will start again."

Amir Basic, 35, a soldier, was watching the news when, as frequently happens in Sarajevo, the electricity failed. "I don't know the details. But I'm very happy. At last my people will stop being killed."

Dzevahria Ferhatovic, 42, who works in a cafe in the old town, said: "My 17-year-old son was killed in these streets by a shell. I'm happy that no-one else will be killed but I cannot feel any joy."

One condition of the agreement is that the 1.3m internal refugees have the right to return to their homes. Few expect this to happen, especially in Serb- and Croat-held areas where the authorities do not want to recreate the mixed communities they spent so long making ethnically "pure".

Azra Kalajvic, 63, who has been made a refugee twice, now lives with her sister in Sarajevo, where a third of the population are refugees.

She said: "I'm very sorry about this agreement. It's just the old deal between Serbia and Croatia to divide our country between them. Whatever they say, the refugees can't go back to their homes. The Serbs have got everything they wanted."

Standing in the sub-zero temperatures waiting for a tram, Hajro Kozaric, 64, was happy peace had come at last. "The war has gone on too long and too many people have been killed. It's certainly not a good peace, and I don't know how long it will last. But at the moment perhaps we couldn't have hoped for more than this."

Serbia's President Slobodan Milosevic said *yesterday that economic sanctions against* the former Yugoslavia would be suspended immediately and lifted in due course as a result of the peace deal. The time lag between the two stages would be a formality necessary to calm tension in Bosnia, writes Paul Wood in Belgrade.

Once liberated from sanctions, he said that *his country could look forward to* a period of dynamic economic and social development. "Our aim is integration into Europe and the world – equal co-operation with everyone," he said.

People in Belgrade had been looking forward *to a lifting of sanctions as the main prize* of the peace negotiations. Inflation has started to take off and is now running at 10 per cent a month, according to official figures.

There was no reaction last night from the Bosnian Serb leader, Mr Radovan Karadzic, who will have to step down under the terms of the deal as an accused war criminal.

Reports, so far unconfirmed, in the Belgrade media say he has reached an understanding with President Milosevic to go into quiet retirement in return for not being extradited to *the Hague*.

■ RUSSIA SIDELINED

Moscow watches play from the wings

By Chrystia Freeland in Moscow

For many Russian leaders, the Bosnian peace agreement reached yesterday is a bitter reminder that since the collapse of the Soviet Union in 1991 the Kremlin has become a marginal player in world affairs.

Although Russia has traditionally played an important role in the Balkans, it is the US, and to a lesser extent the countries of western Europe, which have dictated the terms for foreign involvement in the Bosnian crisis since it began four years ago.

Moscow – whether it has chosen obediently to follow the US lead or attack western policy with violent rhetoric – has been relegated to the sidelines.

Even some of Washington's most painstaking efforts to offer Russia at least the appearance of importance have served only to underscore the country's practical insignificance.

One example is the summit of the former Yugoslavia's political leaders, which had been planned to take place in Moscow on October 31. The meeting was announced during President Boris Yeltsin's visit to New York in October as a means of smoothing Russian feathers ruffled by Nato airstrikes against Serb positions earlier in the year. Russian diplomats hailed it as a critical event in the effort to reach a settlement.

But *when Mr Yeltsin's heart* attack led to its cancellation, US diplomats offered quiet assurances that the Dayton negotiations were the only ones that really mattered. For Russian officials, yesterday's deal has been an unwelcome reminder that their own attempts at summitry were superfluous.

Paradoxically, although the Bosnian crisis has been one of the clearest signs of Russia's withering international muscle, it has also offered a pretext for a return to some of the worst anti-western rhetoric heard in Moscow since the end of the cold war.

Nato airstrikes against Serb positions, which many analysts have credited with clearing the way for yesterday's peace deal, provoked a virulent reaction in Russia. Senior leaders described them as "genocidal" and Mr Yeltsin warned that they could lead to a new "cold war" in Europe.

For the extreme nationalist opposition, the Bosnian crisis offered an opportunity for even more lurid anti-western allegations. In a recent interview Mr Vladimir Zhirinovsky, Russia's *most flamboyant* ultra-nationalist, denounced the Bosnian crisis as "a cruel example of western aggression, aimed at *destroying an economic opponent*. Today, Yugoslavia's holiday resorts are empty and, instead, people go to French and Italian ones. Instead of drinking Yugoslavian wine, people drink French and Italian wine."

Mr Zhirinovsky is alone in his view that the war in the former Yugoslavia is the work of French and Italian hoteliers, but his broader conclusion that "the war is a wider attack on orthodoxy; now the west is attacking Serbia, tomorrow it will be Russia" is shared by many Russian politicians and much of the Russian public.

Nonetheless, despite the unwelcome *implications* for their country's role in the world, Russians may eventually reap solid economic benefits from the Dayton deal. Russia, which claims to have suffered billion dollar losses because of the embargo on trade with Serbia, could be one of the winners if normal economic life is restored in the former Yugoslavia.

■ LESSONS FOR EUROPE

European Union states forced to confront the limits of action

Lionel Barber on how the 'hour of Europe' came and went

The US-brokered peace settlement in Bosnia is a sobering lesson in the exercise of power for the European Union. Without the intervention of the Americans, a deal between the Serbs, Croats and Bosnian Moslems would never have been possible. In the end-game, the Europeans were relegated to bit-players in their own backyard.

"Let's face it," said a senior European diplomat yesterday, "the Americans stole the issue from under our noses."

The sidelining of the Europeans is galling for those who believed that history was beckoning when the crisis in former Yugoslavia first erupted in 1991. *Mr Jacques Poos*, Luxembourg foreign minister, spoke for many when he declared that the crisis signalled the "hour of Europe".

Arguably, a solution to the conflict might have been reached in the spring of 1993 had the Clinton administration backed the Vance-Owen peace plan put forward under the auspices of the EU and the United Nations. Indeed, the US plan is no better, and in some cases worse, than Vance-Owen in rewarding Serb aggression at the expense of the Moslems.

But such arguments ignore the fact that it was the US, not the EU, which finally broke the diplomatic stalemate in the summer of 1995. The serious diplomacy took place not inside EU institutions in Brussels, but in Washington and the peripatetic Contact Group comprising the US, Russia, France, Germany and the UK and the European Commission.

Only the US had the political and military muscle to coerce the parties to a settlement. Crucially, however, the extent of US commitment in the follow-up, through the dispatch of US troops as peacekeepers to enforce the settlement, *remains uncertain*.

Thus, the Bosnian crisis offers several important lessons for the Union as it prepares for next year's conference to review the Maastricht treaty and its ambitions for a common foreign and security policy.

● At heart the EU approach was defensive, aimed at containing the conflict and providing humanitarian aid.

The British were always ambivalent about military involvement, though they contributed generously to the UN peacekeeping force. France, a fellow contributor, pressed at times for a more aggressive approach; but its natural partner, Germany, was hindered by its own constitution, an unhappy history of involvement in the Balkans, and a *near-disastrous move* to recognise Croatia which almost split the Union in January 1992.

● Even if the EU had shown the political will to use military power, it lacked the independent capacity to do so. The Western European Union, the *EU's fledgling defence arm*, organised patrols against sanctions-busting off the Adriatic coast, but its role was always strictly secondary to Nato. The hollowness of the "European defence pillar" is one reason why Paris is drawing closer to Nato, without going so far as rejoining the integrated military command.

● The crisis exposed the Europeans' lack of co-ordinated planning, intelligence and analysis. The European Commission is not trusted by the member states nor does it have the capacity and experience in political military affairs.

In the end, the US was more successful than the Europeans in pursuing a strategy in the Balkans. Washington's usurpation of the EU in brokering a resolution of the dispute between Greece and the former Yugoslav republic of Macedonia drove home the point, as did its role in balancing the influence of pro-Serb Russia.

● Finally, the Bosnian crisis may have confirmed the limits *of a common foreign and security* policy for all 15 members of the Union. Britain, partly to assuage Eurosceptics in the *governing Conservative party*, is pressing the case for selective co-operation rather than following the more coercive *German approach of majority* voting to attain a common policy. Bosnia may have been a premature test for the Europeans, but it defined a line between those able and willing to put troops in the line of fire and drew Britain and France more closely together in defence co-operation.

Having played second fiddle to the US in the peace talks, the EU is pressing for a lead role in post-war reconstruction as well as establishing political and trade relations with the *former Yugoslav states*.

French UN peacekeeper prepares a convoy of vehicles to collect food for Sarajevo yesterday AP

The EU initiative, which would complement Nato-led plans to enforce the peace settlement, is viewed in Brussels as a litmus test of the Union's capacity to wield influence in the Balkans. But, even in this area, internal squabbling has hurt the EU cause.

Mr Carl Bildt, the special EU envoy, also became embroiled in a row with Mr Hans van den Broek, the external political affairs commissioner, over their respective roles and post-war strategy. Mr Bildt, supported by Britain and France, called for a new set of accords between all the states of the *region not covered by "Europe* agreements" – the accords with central Europe which *offer the perspective of future EU membership*.

Without these so-called "Balkan agreements", Mr Bildt warned that the different countries would carve out their own paths to Brussels, undermining efforts at regional co-operation and increasing the chances of attempts to create a Greater Croatia, a Greater Serbia or a Greater Albania.

Yet Mr van den Broek preferred a more traditional Brussels mix of partnership and co-operation agreements with individual countries which put the Commission in the institutional driving seat. A compromise is likely which will cover provisions on human rights and democracy as well as new trade and political ties. The accords would also complement the immediate task of resettling refugees and repairing infrastructure.

A final test for the Europeans will be how much money they are prepared to contribute to the multilateral reconstruction package. Initial cost projections range between \$4bn to \$6bn; but negotiations have barely begun on the burden-sharing.

EUROPEAN NEWS DIGEST

Walesa claims electoral fraud

President Lech Walesa's campaign team is hoping to have the result of Poland's presidential election reversed on the grounds of fraud by supporters of Mr Aleksander Kwasniewski, a former communist who won by a 3 percentage-point margin in Sunday's poll.

Mr Boguslaw Kowalski, who was Mr Walesa's campaign spokesman, said yesterday that "we have reason to speak of election fraud", adding that he would be lodging an appeal to the Supreme Court. Mr Kowalski told the Reuters news agency that he had evidence that Kwasniewski supporters in an electoral commission in Warsaw had "stuffed ballot papers into voting urns".

He also planned to claim thet the election should be nullified because Mr Kwasniewski had claimed to have completed a university education while in fact he had been crossed off the list of students at Gdansk university in his fifth year. When dealing with complaints of this kind in the past, the Supreme Court has ruled that the result of elections could be nullified only if proven fraud had affected the results. Mr Kwasniewski won a 51.72 share of the poll, a majority of more than 600,000 voters. *Christopher Bobinski, Warsaw*

Turkish PM to talk with Major

Mrs Tansu Çiller, Turkey's prime minister, will meet Mr John Major today to discuss bilateral issues, regional and security affairs and Turkey's attempt to conclude a customs union with the European Union. The European Parliament is to debate ratification of the accord next month and Turkey is lobbying EU governments to ensure a positive vote. Although the Strasbourg parliament is slowly moving in favour of ratification, many MEPs still hava deep reservations over Turkey's human rights record.

The Socialist group is the largest bloc in the parliament and Mrs Çiller will also meet Mr Tony Blair, leader of the Labour party, to ask him to press Turkey's case in Strasbourg. The Spanish socialist government, currently holding the revolving EU presidency, has already come down firmly on Turkey's side. Mrs Çiller argues that customs union will bind Turkey closer to the west, strengthening its secular, democratic and free market systems. Rejection would further strengthen the country's growing nationalist and Islamic fundamentalist movements. *John Barham, Ankara*

French students take to streets

Thousands of French university students attended demonstrations in Paris and e number of other cities yesterday in the first of a series of strikes set to hit the government this week.

The protests came just ahead of an announcement expected today by Mr François Bayrou, the education minister, of his "emergency plan" to redress imbalances in the higher education system during 1996. The students have been calling for increased funding and a reduction in the extreme variations in resources between colleges around the country.

Their action yesterday came ahead of widespread calls for strikes on Friday that are likely to severely affect services on the national rail network and public transport in Paris and other cities. The country's airlines are likely to be affected and many newspapers based in the capital may also not be available on the day.

The Force Ouvrière union and the communist-led CGT have led calls for strikes in reaction to proposals unveiled last week by Mr Alain Juppé, the prime minister, to reform the country's deficit-generating social security system. *Andrew Jack, Paris*

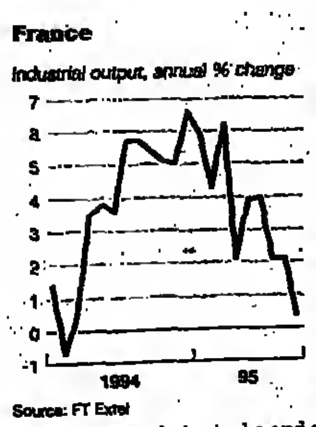
Eurostar extends cheap fares

Eurostar, operator of the cross-Channel rail link, yesterday announced an additional daily service between Paris and London from early next year and an extension of promotional fares until March.

The French railways, SNCF, said Eurostar would increase the number of daily trains from 11 to 12 between London and Paris from January. It also said it was maintaining the price of its cheapest return between Paris and London at FFr594 (£77) until March 28 next year. The ticket price, initially due to continue until December 10, brought Eurostar fares to slightly below those offered by the airlines *Andrew Jack*

ECONOMIC WATCH

French industrial output falls



Source: FT Extel

French industrial output fell in September by 1.8 per cent from its July-August level, the Insee statistics agency reported yesterday, providing further evidence of the slowdown in French economic growth. In the same month, manufacturing output, a slightly narrower measure which excludes energy and food, dropped by 2 per cent over its July-August level. The September decline was broadly-based, affecting intermediate industrial inputs as well as finished consumer goods. Insee experts said industrialists appeared to be drawing down their stocks and slowing production in the face of signs of slowing consumption. *David Buchan, Paris*

■ EU seasonally adjusted industrial production rose 1 per cent in the three months to August from the previous quarter, the Eurostat statistical service said.

■ Dutch seasonally adjusted manufacturing production rose 1.2 per cent in September compared with August. Manufacturing output was 3.0 per cent higher than in September 1994.

■ Switzerland's seasonally adjusted trade surplus narrowed to SFr173.2m (£97m) in October compared with a revised deficit of SFr465.7m in September.

González seeks faster EU enlargement

By Lionel Barber in Brussels

Mr Felipe González, Spain's prime minister, yesterday called on European Union leaders to accelerate enlargement to central and eastern Europe with a pledge to open accession negotiations in 1998.

Warning that momentum behind eastern enlargement was unstoppable, Mr González said it was vital to respond to fears in Poland, Hungary, the Czech Republic and other countries that they could be shut out of western institutions and left in e vacuum.

During a 90-minute interview with journalists in Brussels, the Spanish prime minister made clear, however, that the former communist countries could not expect to take full advantage of all EU policies such as the Common Agricultural Policy.

Instead, the EU should propose lengthy transition periods of up to 15 years to allow time for adjustment. "We need to think of new procedures," said Mr González, 53, one of Europe's longest-serving leaders. "We must be bold."

Mr González also left open the possibility that Mr Javier Solana, Spanish foreign minister, could emerge as e candidate for the vacant post of Nato secretary-general.

But he stressed that the Spanish government would not put him forward. He also warned that Mr Solana's departure could cause "internal difficulties" – a reference to the fact that Mr Solana is in the running to succeed Mr González as head of the Spanish Socialist party should the prime minister decide to step down after next year's parliamentary elections. Mr González was in Brussels on the first leg of an EU tour ahead of the Madrid summit on December 15-16. Spain holds the six-monthly rotating EU presidency.


Spanish prime minister Felipe González in Brussels with Commission president Jacques Santer

He said he was speaking out in support of a clearer timetable for eastern enlargement because of a series of conflicting promises and obligations facing the EU in the run-up to the year 2000 which, if mishandled, could trigger a crisis.

Challenges include next year's inter-governmental conference to review the Maastricht treaty which could last until spring 1997; the selection of countries qualifying for the single European currency in 1998; negotiations on a new EU budget package which runs out in 1999; and the commitmeot to open enlargement negotiations with Cyprus and Malta six months after the conclusion of the inter-governmental conference. This latter promise was the price of Greek support for the EU customs union with Turkey.

Mr González said: "It is completely illogical and unrealistic to expect to begin access negotiations with Cyprus and Malta without also starting with Poland, Hungary, the Czech Republic, the Baltic states and all the other eastern European countries which wish to join the EU.

He said it would be unthinkable to delay eastern enlargement if there was a delay in the launch of the single European currency, though he stressed he thought it would go ahead in 1999 as planned. He also expressed support for German plans for a "stability pact" to enforce budgetary discipline among countries participating in monetary union.

Italian inflation rises to 6 per cent

By Robert Graham in Rome

Hopes of a gradual decline in Italy's consumer prices were dashed yesterday by preliminary data showing November inflation was running at an annualised 6 per cent.

According to figures for Italy's main cities released by Istat, the national statistics institute, prices in November increased 0.6 per cent. This raised annualised inflation from the three-month plateau of 5.8 per cent to 6 per cent.

The lira weakened against the D-Mark, dropping initially to L1,133 from L1,126 on the news. But later in the day the lira recovered slightly as the markets became less alarmed over interpretation of the figures.

However, if the data are confirmed, Italy's annualised inflation will be more than double the EU average. The preliminary figures have tended to be an accurate reflection of the general trend and the rise this month was against all forecasts.

The Bank of Italy as well as Confindustria, the employers' federation, have been forecasting optimistically for several weeks that prices were falling. On the basis of yesterday's figures, the underlying trend at year-end will be inflation of around 5.4 per cent instead of 5.2-5.3 per cent expected.

The main reason given for the unexpected rise was an increase in most car list prices in October. Although the average increase in list prices is understood to have been about 3 per cent, manufacturers reportedly operated big discounts. Istat was obliged to record the list price rises as opposed to the discounting.

Producer prices, which have been an important element behind the overall increase in inflation, were this week shown to be cooling. In September producer prices were increasing at an annualised 8.7 per cent against 9 per cent in August. Mr Rainer Massera, the budget minister, yesterday issued a statement saying the government's macro-economic objectives for 1996 remained unchanged.

However, next year's budget is based oo inflation dropping to 3.5 per cent. This looks increasingly improbable.

The 1996 bndget itself passed its first hurdle yesterday being approved by the senate. The package will now be debated by the chamher of deputies, where the government may be forced to accept some further amendments.

Kinnock urges more transport funding

By Caroline Southey in Brussels

Mr Neil Kinnock, EU transport commissioner, yesterday urged member states to come up with fresh funding for the European Union's ambitious programme of trans-European networks, warning that certain transport, energy and telecom links would not be built unless more money was found.

Mr Kinnock has produced an analysis, to be presented to the EU summit in Madrid next month, outlining the shortcomings in a five-year plan to spend Ecu1.8bn (£1.5bn) on infrastructure developments.

He said member states should make good their declared intention to turn Europe's transport patchwork into a proper network of interconnecting systems. He attacked governments for their perceived relnctance to adapt national priorities and for behaving as "if construction and funding are the job of someone else".

Mr Kinnock linked two key problems – the shortfall in funding commitments and the lack of public and private sector co-operation. Traditionally the public and private sectors had not worked together on infrastructure projects, but co-operation was crucial because projects could not be funded from the public purse alone and the EU hudget was not big enough.

He said governmeots had failed to recognise the potential trans-European networks held for generating johs, improving competitiveness and the functioning of the single market. Mr Kinnock said fresh evidence from a report on the socio-economic benefits suggested that member states bad under-estimated hy at least balf the full advantages of cross-border links.

The report points out that two out of 14 projects are suffering from severe financing problems. These are the high-speed rail project to link Paris, Brussels, Cologne, Amsterdam and London, which faces shortfalls over the next five years of Ecu200m for the Belgian section, Ecu120m for the Dutch section and Ecu240m for the UK section. The high-speed link between Paris, Strasbourg and Germany is facing an estimated shortfall of Ecu200m.

Examples of poor practices common in the implementation of the rail projects included national authorities setting up conflicting schedules.

The Brenner project linking Munich and Verona is singled out as an example where there was slow progress in defining the project and a failure to resolve financing problems. He called oo states to create "project authorities" to help speed up implementation.

France proposed yesterday that EU and Mediterranean states hold regular high-level meetings after they inaugurate e new partnership next Monday in the Spanish city of Barcelona, Reuter reports from Paris.

Mr Hervé de Charette, the French foreign minister, said: "The foreign ministers of the 27 countries concerned should meet regularly, for example every two years. In addition, we propose that the next meeting takes place exceptionally at the level of heads of state in e country south of the Mediterranean to solemnly inaugurate our joint project."

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Hungary suspends wheat export licences

By Virginia Marsh in Budapest and Alison Maitland in London

Hungary has suspended export licences for wheat pending a parliamentary inquiry into how the authorities came to issue licences for around 11m tonnes of wheat, more than double this year's harvest.

The Hungarian parliament's agricultural committee has also asked the etate competition office to investigate allegations of price fixing following abarp price increases in the summer.

Wheat prices rose from about Ft10,000 ($80) a tonne in May and June to Ft22,000 in August on the Budapest commodities exchange.

International wheat trade officials said the problem seemed to have originated in the huge increase in international grain prices this year after poor harvests in most of the main producing countries. US wheat export prices rose 70 per cent between the epring and antumn.

"Everybody has been looking to the smaller exporters like Hungary [for supplies] and things got out of hand," said one official.

Before this summer'e rises, grain prices in Hungary were around 50 per cent of world levels.

Local grain analysts said low domestic prices and world wheat shortages led to a scramble for export licences. The uumber of grain traders on the commodities exchange more than doubled to 170.

Large state companies not normally involved in grain trading were also believed to have been buying wbeat because of low domestic prices. Until the moratorium on new export licences, the government granted a Ft1,200 subsidy on each tonne exported.

The trade ministry said no more than 2m tonnes was meant to be exported after a harvest estimated at 4.6m tonnes, or 400,000 tonnes below expectations.

It did not expect more than 1.5m tonnes to be exported before the end of the year, when the licences run ont. This is because some grain traders appear to have applied for new licences without cancelling or handing in earlier, unused ones.

Farm groups want greater supervision of the commodities exchange and a more transparent information network. This would belp small producers, many of whom sold their wheat at a fraction of current prices early in the season.

Mr Richard Gueterbock, a UK-based food industry consultant wbo has just returned from Hungary, said: "More attention needs to be paid by Hungary and the EU to the whole issue of what's happening at the agricultural level.

"Agriculture is an important contributor to the economy. But farmers are being paid low prices for their grain, which adds to the general dissatisfaction in the farming community."

EU to rethink meat hormone ban

By Caroline Southey in Brussels

More than 80 Leading International ecientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the Union's policy.

The European Commission called the conference in an attempt to break the deadlock over the future of the EU's blanket ban on the use of growth promoters in livestock production and the import of hormone-treated meat.

Pressure to ease the ban has become intense following a US threat to challenge the policy through the World Trade Organisation. But consumer groups have consistently resisted any suggestions that the ban should be eased and some have argued that the meaeuree should be strengthened.

Mr Franz Fiechler, EU commissioner for agriculture, stressed yesterday that the conference was not a policymaking forum. "It is not a question of taking political decisions at the conference. We want to introduce an element of objectivity into the debate and to avold an emotive approach to the issue," he said.

Mr Fischler said the EU's policy was based on scientific evidence more than 10 years old. "The time has come to look at the intervening period and the scientific progress that has been made," he said. New enbstances had come on the market since the original rules were drawn up.

One possible outcome of the conference was that the scientists "can provide us with e solid base on which we can defend ourselves". But it was clear a 10-year old policy could not remain as it was.

The ban has been opposed by pharmaceutical companiee, among others, on the grounds that the EU'e list of prohihited drugs includes some which, before the ban, had passed the licensing procedures of several European countries and are used in tbe US, Canada; Australia, New Zealand, Latin America and Africa.

The US allows the use of three "natural" hormones, oestradiol beta 17, progesterone and testosterone, as well ee two "synthetic" hormones, trenbolone and zeranol.

Washington maintains that the EU ban constitutes an unfair trade restriction. It cites the drop in US red meat exports to the EU, from $231m in 1988 to $98m in 1994, as evidence that the ban has hurt US livestock producers and exporters.

Fischler: hopes to avoid emotive approach to controversy

Egypt seeks to lead Arab media world

James Whittington details two big film and satellite projects

In a tract of desert past the Giza Pyramids, construction teams are laying the foundations for what the Egyptian government hopes will be its Hollywood on the Nile.

Film sets of a town square in Alexandria, a Pharonic temple and an Egyptian village have already been built on the 2m sq m site and used in local productions.

By the time it is finished, the Media Production City will be the largest studio complex in the Arab world with 13 fully-equipped indoor studios, 10 outdoor sets, two open-air theatree, an international hotel, and a theme park. It will cost about $300m and five international groups have been invited to submit bids in January for the main installations.

The leading companies of each bidding group are AT&T of the US, Thomson of France, Philips of the Natherlands, Sumitomo of Japan and Sony Broedcast & Professional Europe. Construction will begin in 1996 and is expected to take about three years.

Meanwhile, this week the government's Egyptian Radio and Television Union (ERTU) is due to finalise its $158m Nilesat contract with France'e Matra Marconi and Alcatel Espace to build and launch the country's first satellite. One of the two satellites ordered will be launched by the French-made Ariane rocket and will go into service in 1997. It will carry 12 transponders each capable of transmitting eight television channels along with deta and andio eignals throughout the region. The Egyptian government plans to take two transponders for its own services, which will include free-on-air and pay TV channels and lease the others.

This will provide some much needed space for Arab broadcasters who mainly use the only other Arab satellite – the ontdated Arabeat. This is jointly owned by a group of Arab governments and is due to be replaced by Arabsat II next year.

These two big media projects form the core of Egypt's ambitious strategy to regain the upper hand in the region's broadcasting market by the end of the century. Nostalgia for a return to the golden years of Egyptian cinema in the 1950s and 1960s, and a need to compete with increasingly effective and mainly Saudi-owned satellite channels – such as the London-based Middle East Broadcasting Centre (MBC), the Cairo-based Arabian Radio and Televisiou (ART), and Rome-based Orbit Communications Company – have been the main incentives behind the plan.

Media Production City will be used primarily to boost the supply of ERTU'e productions which will be used on Nilesat. Its focus will be on quality television drama series for which there is a huge demand in the Arab world. It is also hoped to rent the facilities to other television and film makers.

Meanwhile, steps have been taken to prime the domestic market for the arrival of Nilesat. Earlier this year, the government banned all imported decoders. Anyone wishing to distribute pay television channels will now have to come to an agreement with Nilesat.

"This will kill two birds with one stone," said one local media analyst. "It will prevent Egyptians from watching some of the more risqué material broadcast from abroad, and will also help create a monopoly for [pay TV services offered from] Nilesat."

Egyptians are already showing an appetite for satellite television. Many rooftops in Cairo have satellite dishes of all sizes and although officials have lost count of the exact number, unofficial estimates say there are about 2m dishes throughout the country, or 1 for every 30 citizens.

"We're exposed to many different channels and we believe in freedom on the airwaves but next to those channels from abroad we need to maintain a strong Egyptian identity, especially for cultural and educational purposes," said Mr Mahmoud Kishk, vice-president of the ERTU.

Although both projects are state-backed it is hoped most financing will be private

Although both projects are backed by the government, ERTU is hoping to attract most of the financing from the private sector. Both Nilesat and Media Prodnction City will become joint-stock companies with ERTU planning to take the largest single stake of between 30 and 40 per cent of equity.

Mr Kishk eaid there had already been a significant number of inquiries to participate in Nilesat from Egyptian investors, local banks and other Arab media companies. There is even talk of selling a minority stake to retail and institutional investors on the Cairo Stock Exchange. The company is due to be incorporated by the end of the year.

ERTU will then turn its attention to the more difficult task of finding investors for Media Production City. The five international bidders have already been asked to include financing proposals for the facilities they wish to build and other programme makers have expressed an interest in taking a stake in the company.

India backs China on WTO entry

By Peter Montagnon, Asia Editor, in London

China's desire to join the World Trade Organisation received support yesterday from India, another large developing country often seen as its rival.

Mr Pranab Mukherjee, foreign minister, said in London that India endorsed China'e application to join the WTO and even had no objection to extending the status of original member to thet organisation.

China was a founding member of the General Agreement on Tariffs and Trade but the nationalist government on Taiwan left Gatt in 1950.

Part of the controversy about China's WTO membership centres around whether it should be treated as a new member, subject to more stringent conditions or simply regarded as resuming its membership.

Explaining India's support for China, Mr Mukherjee said bilateral relations between the two countries had improved considerably. Trade which had been suspended for 30 years had now resumed. India had opened two border posts to commercial transactions and had identified several more which would be opened in future.

The volume of exchanges between the two countries was still quite modest at around $1bn, but it would grow.

Enron Corporation, the US energy group, said yesterday it had reached agreement with a Maharashtra state committee set up to renegotiate the $2.8bn Dabhol power project, India's biggest foreign investment.

The Hindu nationalist government of Maharashtra had cancelled the project saying it was too costly, its power tariff too high and its environmental impact negative.

The state committee will now submit its recommendations to the state's cabinet, which is to decide on whether to permit a resumption of the project by December 10. Enron said it would suspend legal proceedings in London until that date.

For its part, India wanted to be a member of the Asia-Pacific Economic Co-operation forum which aims to liberalise regional trade by 2020, but had to accept that there would be a freeze on new membership until at least 1997.

But it aimed to develop a constructive dialogue with Apec countries in trade matters such as tourism, investment and technology transfer. The dialogue would be similar to that which India undertakes with the seven-member Association of South-East Asian Nations, he said.

Bouchard to take over as Quebec PM

By Robert Gibbens in Montreal

Separatist leader Mr Lucien Bouchard is leaving Canadian federal politics to take over as Quabec premier and leader of the province'a ruling pro-independence Parti Québécois.

Announcing his long-awaited decision yesterday, Mr Bouchard said his main aim would be restoring vitality to the province's tronbled economy while awaiting any new constitutional offers from the federal government aimed at keeping Quebec in Canada.

However, ha made clear he expected such proposals to be inadequate, and said he would then move to call another referendum on independance, although this would not be before April 1997. He predicted that s new referendum would bring victory for the separatists, who were oarrowly defeated in a vote on the Frencb-speaking province's status on October 30.

"My priority will be dealing with Quebec's public finances, restoring the province's economy and trying to ease social tensions," he said. But be made clear: "The fundamental objective of the Parti Québécois remains sovereignty. We've never been so close." Mr Bouchard said ha would not enter another Quebec referendum unless he was sure of winning.

Mr Bouchard's charisma and dynamism saved the separatist camp from disaster in the final weeks of the referendum campaign in Quebec, bringing them to the brink of victory.

Mr Jacques Parizeau, who had led the PQ to victory in September 1994, resigned as party chief after the referendum result.

Mr Bonchard will remain leader of the federal separatist party, the Bloc Québécois, in the Housa of Commons in Ottowa until the year end. He is then expected to become PQ leader and provincial premier by acclaim about mid-January. Mr Bouchard has already an assured aeat in the Quebec national assembly.

Many Bloc Québécois MPs in Ottawa could now decide to return to Quebec politics. The Bloc has 53 seats in the House of Commons, against 52 for the western Canada-dominated Reform party, and is the official Opposition to the Liberals under Mr Jean Chrétien, the prime minister. The Reform party will have to wait until the end of the year before it can claim to be the opposition.

As for the Bloc itself, though several members are competing to succeed Mr Bouchard as leader, it appeara to be heading for decline with no potential leader of Mr Bouchard'a calibre.

Mr Bonchard's wife Mrs Audrey Best said politics had not been her first choice, but she was willing to support Mr Bouchard in his new career, in the hope that their private life could be respected.

Bouchard: vowed to carry on fight for independence

Ruling blocks illegal aliens law

By Christopher Parkes in Los Angeles

A judge has ruled as unconstitutional a key part of California's Proposition 187, the US's toughest measure against illegal aliens.

The emergence of this new obstacle, the most severe in a series which has effectively frozen implementation of the year-old legislation, means the initiative's main provisions are likely to remain blocked during an appeal process expected to last for years and end in the US Supreme Court.

Judge Mariana Pfaelzer, who said that popular support for the move when it was approved by ballot last year reflectad "justifiable frustrations", said key elements in the proposition, designed to deny medical, educational and other publicly funded benefits to unregistered aliens, usurped federal authority.

Although the state might withhold its own resources – limited mainly to pre-natal services and care for elderly – federally funded services fell outside its control.

The legal setback would shift the focus of the debate to Congress where it belongs, according to Governor Pete Wilson.

Mr Wilson, whose support for the grass-roots "Save Our State" initiative hehind the proposition is credited with sealing his hold on power in last year's election, said the US district court decision would "frustrate the will" of the Californian people.

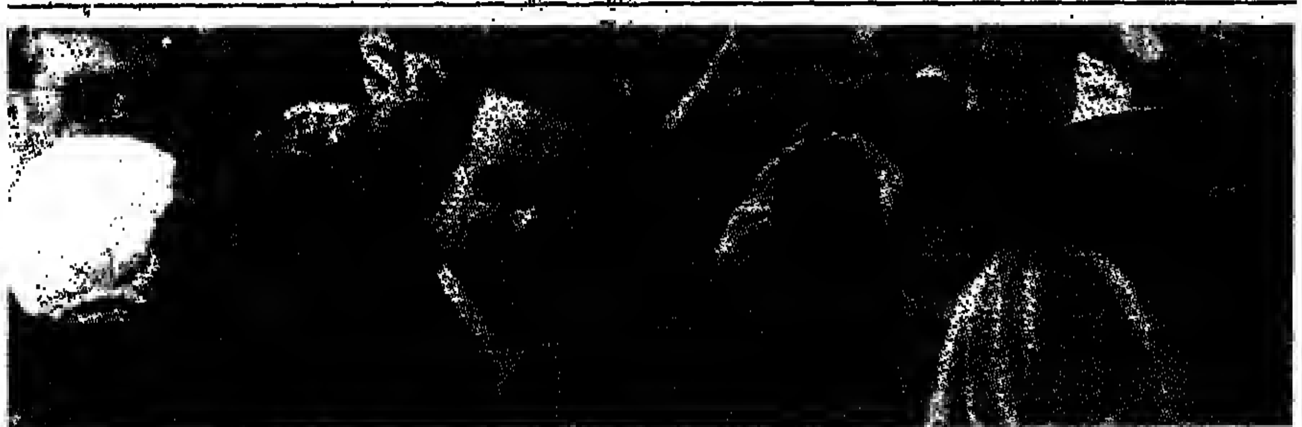
He was speaking at a Republican party fund-raiser on Monday night following the ruling.

In spite of the district court decision, Mr Wilson and the proposition's original sponsors appeared confident that they had set in motion a process which would ultimately lead to sharpened federal controls.

Fuelling the dehate is the lack of consensus on the scale of immigration into tha US. One federal study in 1993 said the aggregate annual cost to taxpayers of immigrants, both legal and illegal, was $12bn. In the same year, Mr Wilson claimed undocumented aliens and their US-born children cost California alone $3bn a year.

However, the figures believed to have pushed tha issue to the top of the popular agenda came in studies of the state healthcare system which showed the mothers of two-thirds of the children being born in Los Angeles County hospitals were unregistered.

While Californian proponents of a clamp-down continue preparing a fresh package of control measures, grass-roots movements have been estahlished in Florida, target of mainly Cuban immigrants, and Arizona, which has an even longer horder with Mexico than California.



Arlen Specter: no one voted for him in Florida and he has also run out of money

Specter to quit presidential race

By Jurek Martin in Washington

Senator Arlen Specter of Pennsylvania was yesterday on the verge of declaring an end to his quixotic run for the Republicao party's presidential nomination.

An announcement, which could come today, follows his failure to win a single vote in Saturday's Florida "straw poll" of party preferences. Mr Specter, a moderate on most issues including abortion, recently conceded be had incurred an unaustainable campaign debt of about $500,000.

One other fringe candidate on the far right, Congressman Robert Dornan of California, has also virtually conceded defeat. In a weekend interview he thought the race was now down to Senators Bob Dole and Phil Gramm, the top two finishers in Florida, with the majority leader the obvious favourite.

It also appears improbable in the extreme that Congressman Newt Gingrich, the Speaker of the House, will enter the contest. Ha said this week he would make a final decision over the upcoming Thanksgiving holiday, but added that it was "very, very unlikely" that he would run.

A fistful of new polls this week attest to his unpopularity, the result of his comments and attitude during the budget confrontation with the Clinton administration.

A Washington Post/ABC survey yesterday gave him a 65 per cent negative rating, up from 50 per cent in June, and far worse than President Bill Clinton (41 per cent) and Mr Dole (46 per cent).

Mr Gingrich has heen attacked not only in the media for his pique over his treatment by Mr Clinton on the return flight from the Rabin funaral in Israal two weeks ago, but also by one or two of his most ardent supporters.

Congressman Dave Weldon, a freshman Republican from Florida, even went so far as to say "Newt needs to go home and take a nap". The Speaker himself conceded over the weekend that his complaints about being snubbed was "probably one of the more foolish comments I've made to the press recently".

Cardoso resists Raytheon inquiry

By Angus Foster in São Paulo

Brazil's President Fernando Henrique Cardoso yesterday called on leading political allies to resist demands for a special congressional investigation into a radar contract hit by corruption allegations.

Mr Cardoso, who accepted the resignations of his chief of protocol and airforce minister over the controversy at the weekend, is concerned that an investigation could delay approval of other congressional business, especially constitutional reforms to modernise the country's economy.

The allegations relate to a project known as Sivam, a $1.4bn contract to install air traffic control and environmental monitoring radars in the Brazilian Amazon. Tha contract, won by Raytheon of the US against competition from Thomson of France, has been dogged by controversy and allegations of wrongdoing.

Mr Cardoso yesterday met leaders of his ruling majority, who agreed they would not push for an investigation at this stage.

The weekend resignations stemmed from government concerna that the two men were compromised by publication of transcripts of taped telephone conversations showing them to be close to Raytheon's sales representative in Brazil, Mr José Affonso Assumpção. Raytheon haa denied any wrongdoing, and stressed that Mr Assumpção is not a company employee.

The latest problems with Sivam, which is alraady behind schedule, has prompted calls for the contract to be retendered, an idea the government strongly opposes.

One of the project's strongest opponents, senator Gilberto Miranda of Amazonas state, yesterday called for a suspension of financing. Mr Miranda, who was originally in favour of the project and was named in the telephone transcripts, is in charge of the aenate committee due to approve preferential funding from the US Eximbank move.

Connecticut casino gamble ends in tears

Attempt to revive an industrial wasteland foiled by puritanism and doubt, writes **Richard Waters**

Bridgeport, Connecticut is ringed with industrial devastation. Once a centre of the US armaments industry – Singer mada machina guns and Remington Arms was founded here – this New England city has been left high and dry by the US defence cuts of recent years. Of the few defence businesses that remain, Allied Signal is about to close its local tank engine plant, while Sikorsky recently announced another round of job losses.

How to rekindle the economy of one of the North East's most derelict industrial areas? To the residents of Bridgeport, the answer, at least until last week, was simple – gambling.

Like a growing number of other cities and states across the country, Bridgeport had pinned its hope of salvatioo on a plan to build a casino. With nearly 9,000 permanent jobs and $1bn of investment, the project was intended to kick-start the ecoomic life of Connecticut'a biggest city. It would also have brought casino gambling within an hour of New York city.

Bridgeport's dreams died at the end of last week. Connecticut's legislators voted on Friday to reject the plan, propelling the state's largest city back into economic gloom. In tha process, thay have also dealt the latest and biggest setback to an industry which until recently had seemed set to take the North East hy storm.

Once confined to Las Vegas and Atlantic City, legalised gambling has spread quickly in Indian reservations across the US in the wake of tha Indian Gaming Regulatory Act of 1988, which opened the way to legalised gamhling on trihal lands. More recently, cities such as Bridgeport have tried to extend the casino hahit away from the tribal lands and riverboat cruises where it currently flourishes.

The source for New England's racent enthusiasm for gambling can be traced to the woods of eastern Connecticut. Less than four years ago, the Mashantucket Peqnot Indians opened tha region's first casino on tribal land there.

Foxwoods has since become America's – and maybe even the world's – most profitable casino. It will gross about $800m (£400m) from its slot machines this yaar, and another $400m from its tables, says Mr Mickey Brown, Foxwoods' chief executive. That is roughly a quarter of the gambling revenues generated by all the casinos in Atlantic City, the East Coast's traditional gambling resort.

Foxwoods is about to go through a transformation, adding about 50 per cent to its existing space (in part to rednca the overcrowding caused by cramming in 3,875 slot machines). It is also building the hotel rooms and meeting space needed to attract big business conventions.

> While there are few industries surviving in the area, critics say the rage for casinos is a short-term response to the decline, and represents 'a failure of the imagination'

As a result, the tiny Pequot tribe has hecome New England's most impressive husiness success story, attracting a host of would-be imitators. Two nearby cities in Massachusetts and one in Rhoda Island, as well as Bridgeport, have developed plans for new casinos. Proposals are also being drawn up for two Indian reservations in the Catskills, while Mayor Rudolph Giuliani is pondering the desirability of riverboat casinos cruising the waters around New York city.

Outside hig cities, there are few other industries stirring in this corner of the North East. "Within 100 miles of here are some of the most devastated cities in the whole of the US," says Mr Lawrence Fish, chief executive of Citizens Financial, a bank headquartered in Rhode Island. Mr Fish, like other local critics, says the rage for casinos is a short-term response to industrial decline, and represents "a failure of the imagination".

However, it remains one of the only bopes for short-term job creation. Hit by the retreat of its defence and metal fabrication industries, as well as the decline of Hartford, the traditional heart of the US insuranca industry, Connecticut's employment levels have stagnated. Over the past 10 years, the number of jobs in the state has fallen by 1 per cent while the US as a whole has seen a 20 per cent increase in jobs.

In recent weeks, however, a number of New England casino projects have stalled, hit by a combination of New England puritanism, economic doubts and political infighting. Voters in Springfield, Massachusetts rejected their city's gambling plan last week.

Critics complain that gambling-related jobs pay badly and that the industry's boom will be followed by an equally dramatic bust when the craze wears off. In Bridgeport, they also argued successfully that handing another giant gambling project to the Pequots – they had beaten Donald Trump and Las Vegas-based Mirage Resorts for the right to build the casino – would give the tribe too much influence over Connecticut's economic future.

Mr Brown's curt response to the doubters: "A joh's a joh. I have a lot of people here who used to be vice presidents of banks." And of Bridgeport's industrial malaise, he adds: "Nothing else has worked for the city. I'm not sure anything else could work."

Peres attacked for taking defence job

By Julian Ozanne in Jerusalem

Mr Shimon Peres, Israel's acting prime minister, yesterday formed a new government, sparking controversy by taking the defence ministry himself.

Mr Peres, who becomes prime minister today when the Knesset ratifies his government, promoted Mr Ehud Barak, 53, a respected former chief of staff, from the interior to the foreign ministry.

Some Labour party officials said Mr Peres had made a political mistake in his first important decision since taking over from the assassinated Yitzhak Rabin by not giving the defence portfolio to Mr Barak, who was widely seen as the best qualified man and a figure capable of shoring up Mr Peres' poor security image.

They also said the rapid promotioo of Mr Barak to the foreign ministry, without any obvious diplomatic experience or expertise, was a snub to other more senior ministers. Mr Barak only joined the government four months ago after 35 years in the military.

However, officials close to Mr Peres said his determinatioo to keep the defence portfolio was intended to consolidate his dominance of peace oegotiations with Arab neighbours and head off possible opposition by the hawkish Mr Barak.

Mr Peres' aides said Mr Barak could have stymied implementation of the security provisions of the Israeli-Palestinian peece eccords which deal with an Israeli troop redeployment in the West Bank.

Officials said Mr Peres was also concerned about Mr Barak'a potential opposition to a peace agreement with Syria which would involve e return of the occupied Golan Heights and a series of military confidence-building meesures including demilitarisation.

In his reshuffle, Mr Peres promoted three "young Turks" of the Labour party and abolished the economics ministry, viewed as superfluous. He also brought into government Rabbi Yehuda Amital, a dovish religious leader viewed as being able to heal divisions in the country and improve relations with Israel's religious community.

Acting premier Shimon Peres, right, signs e coalition pact with Meretz leader Yossi Sarid yesterday

Mr Peres said the speedy formation of the new government was aimed at promoting unity and ending the uncertainty after the killing of Mr Rabin.

Mr Haim Ramon, 45, the chairman of the Histadrut trades union federatioo, returned to the Labour party and the cabinet as interior minister after an 18-month absence and Mr Yossi Beilin, 47, economics minister, was promoted to minister in the prime minister's office.

Mr Peres also considerably strengthened the police ministry held by Mr Moshe Shahal, a close ally of Mr Rabin, after Mr Shahal had made a veiled resignation threat. The police ministry will now be known as ministry of internal security, and will have extra powers.

Earlier Mr Peres signed a coalition pact with the left-wing Meretz party and centre right Yiud faction giving him the same minority government as that of Mr Rabin.

ISRAEL'S CABINET

Labour Party:
Shimon Peres .... Prime Minister and Defence
Ehud Barak .... Foreign
Avraham Schochat .... Finance
Haim Ramon .... Interior
Yossi Beilin .... Minister in the Prime Minister's Office
Moshe Shahal .... Internal Security
Ora Namir .... Labour and welfare
Ephraim Sneh .... Health
Yacov Tsur .... Agriculture
Yisrael Kessar .... Transport
David Libai .... Justice
Micha Harish .... Trade and Industry
Benjamin Ben-Eliezer .... Housing and Construction
Uzi Baram .... Tourism
Shimon Sheetrit .... Religious Affairs
Meretz:
Yossi Sarid .... Environment
Shulamit Aloni .... Communications
Amnon Rubenstein .... Education and culture
Yair Tsaban .... Absorption
Yiud:
Gonen Segev .... Energy
Independent/Meimad:
Rabbi Yehuda Amital .... Minister without portfolio

The pact ensures the coalition the support of 58 of the 120 members of parliament. Mr Peres can also rely on five votes from Arab parties.

US cuts leave poor 'on the ropes'

By Peter Norman in Bonn

The International Developmeot Association, the World Bank's soft loan affiliate for helping the poorest developing nations, is faciog its biggest crisis because Congress has refused to meet US funding obligations in full, Mr James Wolfensohn, World Bank president, said yesterday.

Mr Wolfensohn said in Bonn after meeting Mr Carl-Dieter Spranger, the German development aid minister, that without an effective IDA, "you will have 78 countries literally on the ropes".

Funds supplied by the association were the "most important element in projections of growth" for the countries, where 1.2bn people live on less than $1 a day.

Altogether the IDA belped sustain 2bn to 3bn people in economies with a gross domestic product of less than $2 per head per day, he said.

Congress intends to cut US contributions to the IDA to $700m a year from $1.25bn. Mr Wolfensohn said this was creating problems for aid programmes this year – the third of the current 10th tranche of the IDA – and uncertainty about the ootlook for the 11th three-year replenishment of the IDA which is being negotiated among donor countries.

The US has traditionally been the biggest source of funds for the IDA, supplying about a fifth of its needs. But Mr Spranger pointed out that it was already $1.6bn in arrears to IDA-10. Even if the US paid the $700m planned by Congress for this year, the IDA would still be $900m short of funds. The congressional proposals would leave the IDA short of $2.7bn over the life of IDA-11.

Mr Wolfensohn said the situation would be worse if other countries exercised their right to curtail their subscriptions in line with the US. New funding for the IDA would be nearly halved to about $3.5bn a year from $6bn, creating "an enormous blow to its activities".

Mr Wolfensohn said he hoped that the Congress would develop a less inward-looking attitude and eventually approve the funds. Mr Spranger said Germany favoured a significant 11th replenishment of the IDA, but like most other donor countries was not prepared to make up any shortfall of funding caused by the US. "It must be made clear to all, including the developing countries, who is responsible for the under-financing of IDA," Mr Spranger said.

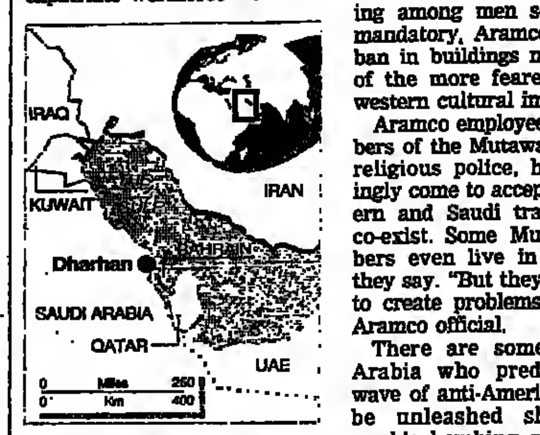
Mid-America is alive and well in Saudi Arabia

Robert Corzine visits expatriates a week after anti-US bombing

Tornado fighter aircraft of the Saudi Arabian Air Force this week swept incessantly across the skies above the country's main oilfields along the Gulf. But just over a week after a car bomb killed five Americans in the heart of Riyadh, the Saudi capital, the mood on the ground appeared anything but threatening.

At Dhahran, the sprawling headquarters of Saudi Aramco, the world's largest oil producer, day-to-day life for thousands of expatriates and Saudi staff appeared to be little changed by the blast.

An Aramco official said no special security steps had been taken in the aftermath of the bombing, in spite of speculation among Saudis that the company's facilities and large expatriate workforce would be a natural target for anyone trying to undermine the close relationship between the kingdom and the US.



"Security is not something strange to us," he said. "It's always been a part of Aramco's operations."

Certainly the company's main facilities appear well protected. Chain link sensors topped with barbed wire surround storage tanks and other key equipment. Aramco security guards are stationed at most buildings, including the schools that cater to the children of the thousands of western expatriates who help to maintain Saudi Arabia's status as the world's premier oil producer.

But instead of being warned to watch for signs of terrorist activity, visitors are lectured on the importance of using their car seat belts.

The obsessiou with road safety is such that guards at the main gate at Aramco's Dhahran camp wear seat belts strapped across their chests as if they were Sam Brown pistol belts.

To the casual visitor Dhahran camp is a patch of eastern Saudi Arabia that will always be a part of middle America.

Elm Street and Apple Avenue cut across housing developments that would not be amiss in the more affluent towns of the American south-west. Aramco radio stations pump out "soft rock" and "easy listening" music, while a nearby US armed forces station counters with country and western.

Some of Saudi Arabia's more draconian rules do not epply inside the camp. Women must still dress "conservatively", says the company. But they need not conform to the strict dress code enforced in the rest of the kingdom. Women are also allowed to drive.

The western style standards are not wholly liberal, however. In a country where smoking among men seems to be mandatory, Aramco's smoking ban in buildings must be one of the more feared forms of western cultural imperialism.

Aramco employees say members of the Mutawa, the Saudi religious police, have grudgingly come to accept that western and Saudi traditions can co-exist. Some Mutawa members even live in the camp, they say. "But they don't want to create problems," said one Aramco official.

There are some in Saudi Arabia who predict that a wave of anti-Americanism will be unleashed should last week's bombing prove to be more than an isolated incident.

That possibility is a concern to many of the 35,000 or so US citizens living in the country. Although there have been no obvious changes to Aramco's security procedures, ad hoc arrangements have been hurriedly put in place at other US facilities.

Pick-up trucks, for example, are now parked across the entrance to the US Geological Survey office in Jeddah. In the absence of more permanent arrangements they are one way to prevent a would-be car bomber from entering the compound.

"It never really felt like I was in the Middle East here," said Mr George De Meglio, the head of the mission. "I've lived here almost eight years, and I've never locked my house or my car."

The Riyadh bomb, he admits, was a rude awakening to the realities of the region. But judging by the attitudes in Dhahran, it will take many more such incidents before the pleasant idyll enjoyed by Saudi Arabia's expatriates turns into a nightmare on Elm Street.

S Africa's gold producers forced to restructure

By Mark Ashurst in Johannesburg

Freegold mines of Sonth Africa, the world's biggest gold producer said yesterday it would axe 3,450 jobs over the next six weeks in the latest stage of an industry-wide restructuring.

The company, controlled by Anglo American Corporation, also said it would reduce output at two of its 28 shafts by 40 per cent. Further cuts were likely in a drive for profitability in all areas of production, the company said.

Hours later, Anglovaal Minerals, another mining house, said the Village Main Reef gold mine, in which it has a 38 per cent interest, could not retain a break-even position beyond next month. The mine would close at the end of the year, with the loss of 157 jobs.

South Africa's gold production is at its lowest since 1958. Rising costs, stagnant prices, a deterioration in the quality of ore at older mines and fierce competition from more efficient mines in the US, Canada and Australia have taken their toll on an industry which in 1980 produced 70 per cent of the world's gold.

Its share last year fell to 27 per cent after political instability and days lost during the first democratic elections hindered output. This year has been worse, with total output more than 10 per cent down on 1994 – a loss of about R2.9bn ($805m) at current prices.

Of the 30 gold mines listed by the Johannesburg Chamber of Mines, 14 are tax exempt because their profit-revenoe ratio falls below the government'e 6 per cent threshold. Of these, seven are loss-making.

Working profit per kilo has fallen 37 per cent in the first nine months of this year, while working costs have risen 19 per cent. Yet gold is still South Africa's largest single earner of foreign exchange.

Mr Roger Baxter, economist at the Chamber, said the main issue was "vulnerability".

With prices stable at about $387 an ounce, South Africa was "not competing on price but on cost". It faced extraction costs about 25 per cent more than in tbe shallower mines of competing countries, due in part to a prohibition on Sunday working, and a recent increase in the number of public holidays to 12.

The government may make some exceptions this year for unprofitable mines. At least one gold mine earmarked for closure has become profitable since adopting full calendar working. The keen sense of crisis in the industry has prompted negotiations with unions to secure flexible working conditions and improved productivity. Mr Baxter predicted round-the-clock operations by late 1996.

See Commodities page

Kazakhstan sells off steelworks

Kazakhstan said yesterday it had sold the huge Karmet steelworks to British-based Ispat International in the biggest outright sell-off since independence in 1991, Reuter reports from Alma Ata.

The deal ends a saga in which Karmet, the second largest steelworks in the former Soviet Union accounting for 10 per cent of Kazakh gross domestic prodnct, was managed by two foreign groups fired for failing to meet financial targets.

Mr Nigmatzhan Isingarin, first deputy prime minister, said the privatisation marked the start of a new phase in Kazakhstan's plans for fundamental company reform.

"This is part of our economic reform, the main task of which at this stage is to restructure enterprises," he said.

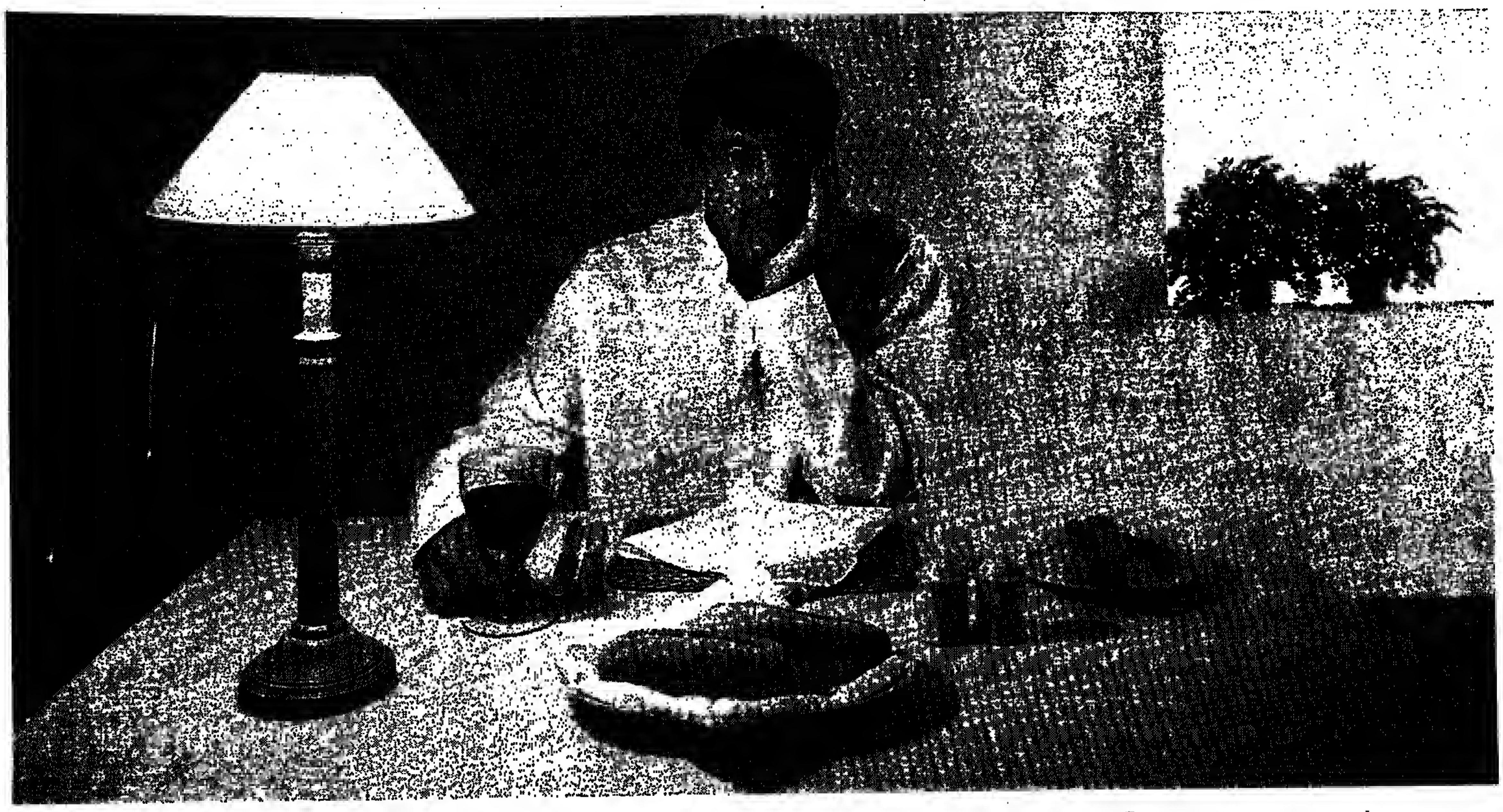
Karmet's entire assets have bean transferred to a new joint-stock company called Ispat Karmet, wholly owned by Ispat International, after it won a four-company tender.

Under the agreement, Ispat International, owned by Mr Lakshmi Mittal, an expatriate Indian, must pay for 60 per cent of the acquisition within one year. No price was disclosed. It must also cover immediate debts worth $50m, wage arrears of $11m and other debts incurred over a month of state management.

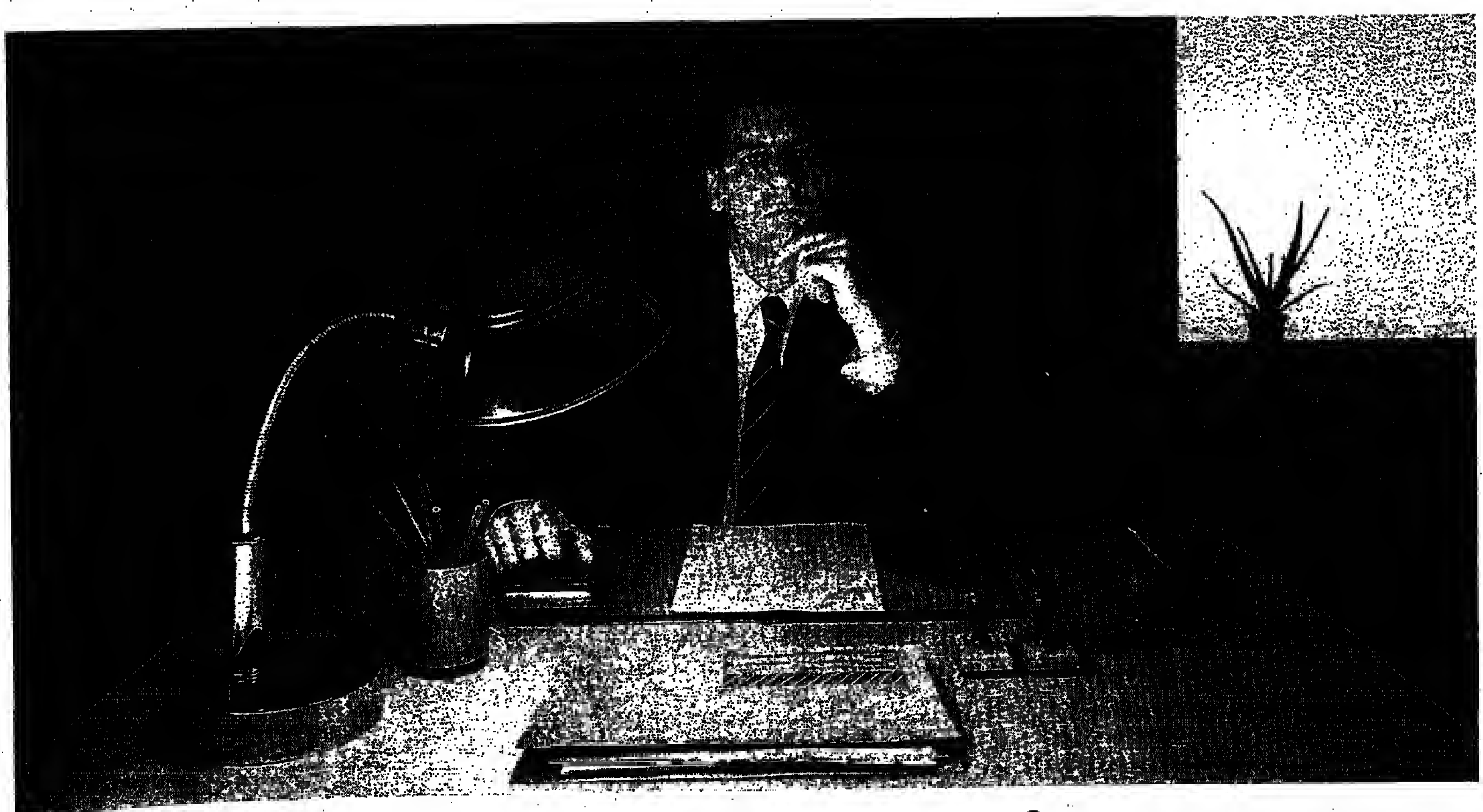
Ispat Karmet must also increase production in 1996 by 30 per cent, a target which Mr Johannes Sittard, general director, eaid could be exceeded. Monthly output at Karmet was about 220,000 tonnes, about half the steelworks' capacity.

هكذا من الأصل

If you want to smoke who should you ask?



Someone in the same room?



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French group to invest $220m at N Ireland site

By John Murray Brown in Belfast

Montupet, the privately owned French car components company, is to create 1,360 new jobs over the next six years in a £142m ($221.5m) expansion of its Belfast plant, in the largest investment for Northern Ireland since the paramilitary ceasefires last year.

Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, said the deal was the "biggest and most significant" investment since the Irish Republican Army and pro-British terrorists ended 25 years of violence. It was "a clear indication that the ceasefires have removed the single major obstacle to substantial new levels of inward investment," he said. The government-run Industrial Development Board is supporting the project with a £57m grant.

The IDB is understood to be preparing to announce a total of 2,000 oew jobs in the province in foreign and local companies in the next week ahead of the visit of US President Bill Clinton on November 30.

The expansion of Montupet's Dunmurry plant – Europe's largest independent aluminium foundry – will be a major boost to the largely nationalist West Belfast area hlighted by a 30 per cent onemployment rate, half of whom have been out of work for more than 3 years.

Montupet, which outside France has plants in Canada and Spain, went into profit at its Ulster operation for the first time last year. In spite of sluggish world car sales, the company says the uses of aluminium are increasing.

Mr Stephen Magnan, the Montupet chairman, said Northern Ireland "is a major part of a series of strategic product development partnerships we are forming with major car makers to ensure the continued profitable growth of our business."

The factory manufactures aluminium cylinder heads for Ford, and wheels for Peugeot and Renault. Under the expansion plan the company will make aluminium engine blocks for the Volkswagen Andi range.

Montupet set up in 1989 on the site used by Mr John de Lorean, the US entrepreneur whose luxury car project closed in October 1982 with a loss of £50m of taxpayers money. The French company currently employs 450 people – somewhat below its original target of 900 thanks to the recent recession.

However by 2001, the company expects to have created around 2,300 jobs, providing car parts to European and US carmakers.

The prospect of e meeting between the British and Irish prime ministers ahead of US President Bill Clinton's visit to Britain and Ireland receded last night as differences over the peace process remained unresolved, John Kampfner writes from Westminster.

Officials said that in spite of a 40-minute telephone conversation between Britain's Mr John Major and Irelkand's Mr John Bruton "roadblocks remain". The conversation, their first for several weeks, was described as wide-ranging and friendly.

The leaders have asked advisers to try to iron out the difficulties and they plan to talk again within 48 hours.

The economy: Sharp decline in exports to North America reverses earlier trend

Trade gap with non-EU countries widens

By Graham Bowley, Economics Staff

Britain's trade deficit with countries outside the European Union deteriorated sharply last month to its widest level since records began more than seven years ago, official figures showed yesterday.

The Central Statistical Office blamed record levels of imports and e sharp fall in exports as activity in some of the UK's main trading partners remained weak. The surge in exports to North America, which caused a narrowing of the deficit in September, was reversed last month. Exports to North America fell by 13 per cent in October.

Part of the deterioration in the trade gap was explained by e worsening of the deficit in oil. But the deficit excluding oil and erratic items – which was a seasonally adjusted £951m last month – was also at its widest level since records began. The CSO said the deficit including oil and erratic items was £1.2bn last month, compared with £0.7bn in September.

The value of exports was £5.3bn last month, a fall of 7 per cent from September. This was due to a fall in exports of oil, precious stones, cars and capital goods, the CSO said. Imports on the other hand were e record £6.5bn, 1½ per cent more than the previous month.

The Treasury said, however, that the upward trend in exports was continuing. In the three months to October exports rose 4½ per cent, while imports rose 7½ per cent.

Officials said that the growth in imports was due largely to semi-manufactured and capital goods rather than consumer goods, which suggested that companies were importing goods to increase their investment.

Mr Alex Garrard, an economist et UBS, said: "Strong growth in capital spending in the manufacturing sector has fuelled import volumes."

There was also a large jump in imports of food, drink and tobacco – the deficit widened to £136m last month from £76m in September.

The deficit of semi-manufactured goods widened to £97m last month from £16m in September. The deficit of semi-manufactured goods widened from £377m to £633m in October.

The CSO said that two-thirds of the increase in the deficit in the three months to October could be explained by a £0.4bn change in the balance of erratics, most of which is down to a surge in silver bullion, mainly from North America.

CSO statisticians said that their estimates of the long-run trend in both value and volume terms show imports have been rising faster than exports.

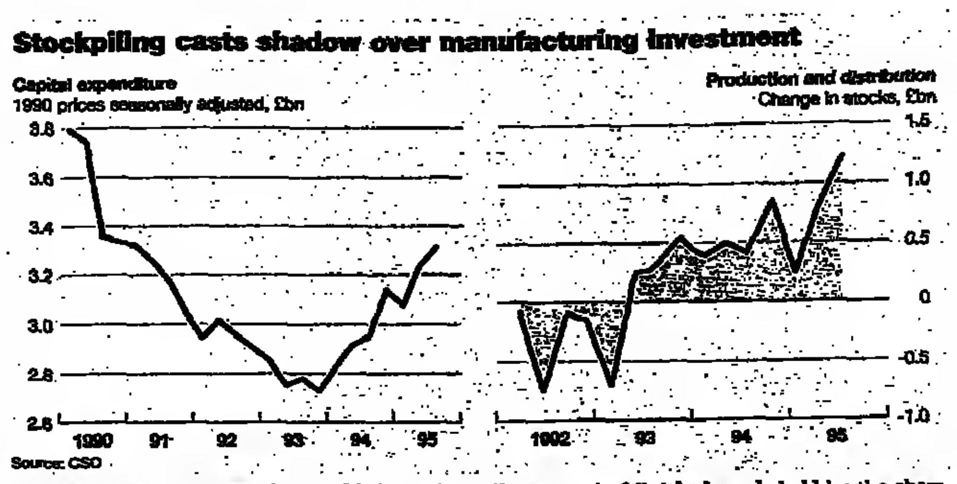
Some economists said that UK exports were likely to remain sluggish in the coming months because of generally weak economic activity in other countries, which reduced the demand for British goods.

● A survey suggested yesterday that British consumers are more cautious in the run-up to this Christmas than last.

A survey of 1,100 adults by credit company Barclaycard found the average people were planning to spend at Christmas was £323. This was slightly lower than last year's £325 – the first annual drop recorded since the aurvey started in 1991.

But Barclaycard said its experience over the last year suggested consumers ere spending more than they plan.

Stockpiling casts shadow over manufacturing investment



Source: CSO

Manufacturing investment in the third quarter of the year was the highest for more than four years, official figures showed yesterday. But the rise in manufacturers' unsold stocks in the third quarter was the largest for almost 19 years. Unexpectedly heavy stockpiling of computers in the run-up to Christmas and a rise in the amount of finished goods held by the chemicals industry were mainly responsible for the rise. Economists said the figures painted e mixed picture for future growth. Manufacturing investment was 2 per cent higher in the third quarter than in the second quarter of the year and 12 per cent up on a year earlier

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Workers at Ford divided on pay offer

By Robert Taylor, Employment Editor

Manual workers et Ford, the British subsidiary of the US carmaker, appear to be divided over whether to accept or reject the company's "final" 9.25 per cent minimum two year wage offer.

Shop stewards from Ford's 13 British plants who will meet in London today may decide to call for e consultative ballot of the company's 22,000 workforce. The package on offer will provide a 4.75 per cent basic rise from this month and 4.5 per cent or the inflation rate plus 0.5 per cent next November.

But privately union officials are increasingly concerned et the apparent lack of enthusiasm for opposing the deal coming from the company's plants at Halewood in north-west England and at Bridgend and Swansea in South Wales who employ nearly a third of the UK workforce. A number of smaller plants are also believed to favour accepting the company's offer.

Some senior union officials believe that if today's report-back reveals substantial support for acceptance of the offer the unions should at once sign a new two-year deal.

Unlike et Vauxhall, where an overtime ban is due to hegin from next Wednesday, no such move will be made at Ford.

Union negotiators at both car companies want a cut in the working week of two hours, but neither has been prepared to concede any move on that part of their demands. "Ford and Vauxhall are working together and taking the same position by standing firm against any cut in the working week", said a union official last night.

Earl's restaurant bill aims for tip-free tab

By Scheherazade Daneshkhu, Leisure Industries Correspondent

A restaurant-owning member of the House of Lords is proposing to wipe service charges off the menu.

The Earl of Bradford yesterday introduced a private member's bill aimed at ending tipping, cover charges and service charges in restaurants.

Lord Bradford, who owns Porters, a restaurant in London's Covent Garden, called tipping "outmoded" and said it was "ridiculous to bribe someone for giving you food."

It operated as "legalised begging" in some restaurants, he said, and called for eating establishments to provide service in the same way as other retail businesses. "You would not go into a shoeshop and tip the staff – why should a restsurant be any different?"

Many restaurants stipulate an "optional" service charge on the menn hut then add it on to the final bill. By making the service charge optional, the restaurateur is not liable for value added tax and national insurance contributions on the service charge part of the bill.

Lord Bradford's hill would require restaurants to include service and tax in the price of each item on the menu and for menus to state: "Our prices are fully inclusive and our staff do not expect a tip or gratuity." It would also eliminate cover charges and require credit card slips to be filled completely.

Mr John Barnes, executive chairman of Harry Ramsden's, the Leed-based chain which serves fish and chips, bread and butter and tea for £5.25 ($8.20) – excluding service – opposed the Earl's proposals. He believed an optional service charge encouraged good service and said restaurants might take the money as increased margin and not give the staff anything.

The British Hospitality Association opposed legislation and said the decision should be left to the restaurant. "Providing the proprietor makes it clear that the service charge is levied or is included in the price, we would not like to see legislation outlawing it."

However, the British Tourist Authority and the Consumers' Association welcomed the hill. "Confusion about whether you can refuse to pay a service charge is rife," said the Association. "The answer is for menus to be written on the 'what you see is what you pay' principle, with all-inclusive prices."

Names are urged to lower expectations

By Jim Kelly, Accountancy Correspondent

Names at Lloyd'a of London were yesterday told that they expected too much from the £2.8bn ($4.4bn) settlement offer designed to give the market a naw life after years of costly litigation.

An independent committee set up to work out how to distribute the settlement among the market's 34,000 Names – individuals whose assets have traditionally supported the insurance market – said it was worried that "expectations of the settlement are still higher than can be achieved with the funds available".

The settlement is a key part of the plan to create a "new" Lloyd's next spring by transferring heavy liabilities into Equitas, a new reinsuranca company. Names would be asked to drop numerous legal actions against Lloyd's agents, who run underwriting syndicates, in return for having large chunks of their debt written off.

LLOYD'S
LLOYD'S OF LONDON

Sir Adam Ridley, the chairman of the committee, said that with current funds there was no certainty that the plan could deliver help for the hardest hit Names and bring an end to litigation. "A big heave is still needed," he said. He also stressed that this was only an interim report and that an agreement was not impossible. "The parties in this kind of negotiation are often a long way apart until they are together."

Mr David Rowland, chairman of Lloyd's, said he was not surprisad that the committee was seeking further funds but he could give no assurance that tha final offer would exceed £2.8bn.

The report forecast that total losses for Names since 1988 would amount to £11.4bn by next spring – a figure which included the cost of the Equitas premium.

Mr Robert Miller, speaking for the Association of Lloyd's Members, said: "Names should lower their expectations. There is a lot of distress still to come."

The document discusses several ways of distributing the settlement. It favours allocating debt credits in three tranches. This approach would leave 20 per cent of Names with no bills to pay, 50 per cent able to meet their bills from some or all of their funds at Lloyd's, and 30 per cent with bills greater than their funds at Lloyd's.

The committee hopes to be able to cap the bills faced by this final category. It mentions the sum of £50,000 – but only on the basis that more money is put into the settlement. While no member of the working party would comment on how much more was needed, it is understood to be about £400m.

Power demand surges as Diana show goes live

A record number of British viewers – more than 20m people – watched the Princess of Wales' interview on Monday, but it was uncertain if that figure included her husband.

Prince Cbarles, yesterday visiting the fishing port of Newlyn in south-west England, was greeted by a throng of journalists.

A reporter shouted from tha crowd, asking if he had watched television last night. The Prince, probably assuming the reporter worked for the BBC, turned straight-faced and replied: "Not yours."

The interview was a ratings triumph for the BBC and pulled in more viewers for the corporation than its popular soap opera *EastEnders* and even more than the rival commercial network'a most popular programme *Coronation Street*.

The weekly National Lottery draw, which is watched by nearly 12m people, was also easily eclipsed.

National Grid, Britain'a state-owned electricity distributor, reported a massive upsurge in demand surging to 1,000MW at the end of the programme – tha aquivalent of 300,000 kettles being switched on.

That was nearly 50 per cent up on Prince Charles' television interview last year.

Across tha globe it was a similar picture. "It was the most watched programme in television history here," said a spokeswoman for the Australian Broadcasting Corporation, which screened it around a country renowned for its love of soap operas. Ironically, only the Royal couple's wedding in 1981 drew anywhere near the same interest among Australian viewers.

The Australian corporation, whicb bougbt the one-hour programme from the BBC for a bargain A$75,000 (US$55,000) under their long-term links, repeated the entire interview in peak evening viewing time last night.

A self-styled 'queen of people's hearts'

Princess Diana confessing on TV

1948 Nov Prince Charles born
1952 Feb Death of King George VI; Charles' mother becomes Queen Elizabeth II; he becomes heir to the throne
1961 July Lady Diana Spencer born
1981 July Charles and Diana marry in St Paul's Cathedral, London
1982 June First son born (Prince William)
1984 Sept Second son born (Prince Harry)
1992 June Book *Diana, Her True Story* by journalist Andrew Morton says Diana tried to kill herself five times because of unhappy marriage
1992 Aug "Squidgygate": newspaper publishes transcript of a telephone conversation in which a man, believed to be her friend James Gilbey, talks with a woman identified as Diana. He calls her "Squidgy"
1992 Dec Prime minister John Major announces that prince and princess are separating "amicably"
1993 Jan Australian magazine publishes transcript of telephone conversation between a man and a woman identified as Prince Charles and Mrs Camilla Parker Bowles
1993 Dec Princess announces withdrawal from public life
1994 June Prince says in television interview that he was unfaithful to princess after marriage breakdown. Interviewer Jonathan Dimbleby later identifies the other woman as Mrs Parker Bowles
1994 Oct Book *Princess in Love* says princess had affair with Major James Hewitt, her former riding instructor
1995 March Mrs Parker Bowles and her husband divorce
1995 Nov Princess breaks royal protocol by arranging revealing interview with BBC Panorama

MPs are told how to increase scrutiny of EU spending

By Robert Shrimsley at Westminster

A private memorandum by the government machine's accountancy watchdog has advised MPs that they can step up their scrutiny of spending by the European Union.

Sir John Bourn, whose full title is comptroller and auditor-general, has told MPs on tha public accounts committee of the House of Commons that there are several ways in which they can increase their attempts to monitor EU spending. The MPs are particularly keen to attack waste and fraud which last year cost the EU £421m ($657m) out of an annual bndget of £72bn. His advice to the MPs follows pressure from Eurosceptics in the governing Conservative party for the committee to be given a greater role in scrutinising EU expenditure.

Sir John stated that the committee has already has enough powers, but can make far greater use of them than it has so far. "The committee could include more examinations of European programmes focusing for example on the arrangements for preventing and detecting frand and irregularity," he wrote.

He also suggested it could undertake "more reviews of the action taken on European issues as a result of previous committee recommendations. These could be followed up by in-depth examinations where this is considered appropriate". The National Andit Office, the independent spending watchdog run by Sir John, is also examining ways of running joint investigations with the European Court of Auditors – the central body charged with monitoring EU spending. MPs on the committee may consider Sir John's advice next month. Among possible actions available is asking members of tha European Commission to give avidence before the committee on how they are tackling waste and frand.

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UK NEWS DIGEST

Nigerian visa may be cancelled

Aides of Mr John Major, the prime minister, admitted that the Nigerian attorney-general entered Britain at the weekend in spite of European sanctions against the regime of General Sani Abacha. The UK Foreign Office said it was considering cancelling the visa of Mr Mike Agbamuche, the man responsible for the justice system which sentenced Mr Ken Saro-Wiwa and his colleagues to death. Mr Major said in the House of Commons that he was unaware of the visit by Mr Agbamuche and a Nigerian legal adviser.

The Foreign Office said Mr Agbamuche was a civilian member of the Nigerian government and not subject to visa restrictions on military members of the regime imposed by the EU in 1993. It said the visa was given to the justice minister before the rules were extended to civilian members of the regime by the EU foreign affairs council on Monday. "We are talking to the Home Office who are responsible for immigration to see if there is any way we can cancel or withdraw visas already issued," the Foreign Office said.

George Parker, Westminster

Company meets minister about aid plea

Interconnectioo Systems, the British circuit board manufacturer, met Mr Tim Eggar, the industry minister, to discuss the level of grant aid it would require to site a new plant in north-east England. The company, which already bas one factory in the region, is considering whether to site a £140m ($218m) expansion in the UK or mainland Europe. The meeting signifies a significant change in the company's tactics. Until this week it had indicated that its favoured UK location for the factory was central Scotland. However, the company has indicated that the frontrunner for the plant, whicb could create 1,000 jobs, is the Andalucia science park in Málaga, Spain.

Interconnection Systems, one of Britain's fastest growing technology companies, is thought to be no longer pursuing the Scottish option on the grounds that a second plant in north-east England would be easier to manage and more cost-effective.

Chris Tighe and Peter Marsh

Policy for transport in London changes

The government is to publish plans for an integrated transport strategy for London in the spring, reversing its previous policy of allowing the different methods of transport to operate independently. Sir George Young, transport secretary, said the strategy document would build on recent proposals from London First, a consortium representing business and public sector organisations, and from London Transport, which runs the underground railway. London First recommended a £23m ($36m) action programme to improve transport in London over the next 15 years. It criticised a lack of forward thinking in planning London's transport system which, it said, was putting at risk its position as a world city. It urged early work on several large investment projects in the capital.

● CrossRail, a project to build an east-west main rail link under London, could be scrapped to allow the smooth privatisation of Railtrack, the state-owned company which owns much of the infrastructure of the national network.

It emerged yesterday that the uncertainties involved in tha CrossRail project, which requires a deep tunnel through some of the most congested parts of underground London, could have a significant impact on the finances of Railtrack in the run-up to its flotation, according to a confidential government study.

Charles Batchelor, Transport Correspondent

Professionals fear skills are outdated by technology

Most British professionals feel that their skills have been outdated by new technology, says market research for tbe TSB bank. They believe they are no longer guaranteed a career for life and say technology has brought longer hours and new demands from employers. Almost three quarters of the professionals surveyed – including lawyers, doctors and teachers – said they were under greater pressure than five years before to upgrade their skills in fields such as information technology.

Advances in office technology have not led to shorter working days. Two thirds of the professionals surveyed said they worked more hours than they had five years previously. Sixty per cent said this put strains on their family life.

Krishna Guha, London

Workplace fatalities decline to record low

The number of people killed in workplace accidents fell to a record low last year, said the Health and Safety Commission. There were 283 fatal accidents, the lowest annual figure since records began in the last century. There were 296 in 1993. But the number of self-employed workers killed in workplace accidents increased last year. There were 73 fatal accidents to self-employed workers in Britain in the 12 months to March this year compared with an average of 62 a year over the previous three years. A significant increase was recorded in agriculture – wbere numbers of inspectors bave fallen.

Lisa Wood, Employment Staff

Devil in disguise: An alcohol watchdog issued a warning about increasingly fashionabla alcoholic colas and lemonades. "We are convinced that these new alcoholic colas and lemonades are a cynical attempt by the drinks trade to hook young people on alcohol," said Alcohol Concern director Mr Eric Appleby.

BUSINESS AND THE ENVIRONMENT

As a clever lawyer with a conscience, Martyn Day can cause corporate anxiety, says **Peter Knight**

Green crusader

Lawyer Martyn Day has brought fear to British boardrooms by pioneering American-style aggressive litigation on behalf of people who heve suffered from the effects of pollution.

At the age of 38, he has established himself as the legal scourge of polluters and is in a position where he could hegin to pursue companies based in other European Union states.

"The opportunity in law exists in all the member states," says James Cameron, e UK barrister and director of the Foundation for International Environmental Law and Development. "There will be more opportunities when the EU confirms its policy on civil liability for environmental harms. If Day got to grips with EU law be would have a great opportunity to export his services."

This is how Day works. First, he tracks scientific and legal developments, especially in the US, attending legal conferences there and spending bours studying the legal and scientific press. He has built up a loyal support staff, most of whom hold both scientific and legal qualifications and can understand the implications of dry technical findings published in obscure academic journals. When a causal link is made between physical harm and, say, a certain industrial practice, he looks for clients on whose behalf he sues the company for damages.

This well-established business in the US, where lawyers can bring cases on a no-win no-fee basis, has been adapted by Day for the British legal system: be finances all his cases on state-provided legal aid.

He has a mass of work in the pipeline, including high-profile cases against water companies, for the harm caused allegedly from sewage discharges, Rentokil for alleged damage from wood treatments and the electricity industry for the alleged effects of electromagnetic radiation.

Even if he wins all his cases he will not be rich because, unlike in the US, he is not allowed a share in the compensation payments. His firm earns only the fee prescribed by the legal aid system.

Day may have been profiled in the legal press and portrayed in a drama-documentary hy a leading actor, but there is no material evidence of his success. He wears supermarket suits and his office is at the less fashionable end of one of London's least attractive roads, behind a door covered in diesel dust and up creaky stairs with black tape covering bits of worn carpet.

'Martyn is first and foremost a politician. To him the law is politics by another means' says an opponent

Day differs from most other environmental lawyers in the way that he identifies closely with his clients and the environmental cause. "I'm not the kind of person who can leave his heart at bome. I want to do work that I can be proud of," he says. He and his business partner, Sarah Leigh, have huilt up the leading firm of environmental and medical negligence lawyers in the UK.

They take on difficult cases in the hope of getting justice for their clients, changes to industrial practice and improvements in the law. They earn about a third of the amounts taken home by their fellow lawyers in the big commercial firms.

"Martyn is first and foremost a politician. To him the law is politics by another means," says Paul Bowden, a litigation partner and head of the environment group at Freshfields, one of the UK's top commercial law firms and Day's opponent in two major nuclear cases.

Freshfields advised British Nuclear Fuels when it was sued by Day on behalf of leukaemia victims allegedly affected by radiation on their fathers' sperm. The court case took eight months and cost the taxpayer around £10m.

Trevor Humphries

Martyn Day: 'I'm not the sort of person who can leave his heart at home'

Day lost, but is unrepentant: "We were not wrong, another jndge, another time and we could heve won it. The key thing for me is that these cases put industry on its toes, it gives more weight to the individual and that's important for society."

Day courts publicity to promota his cases. "Publicity and the media is the sea that keeps Martyn's ship afloat," says Bowden.

Day is particularly adept at keeping buoyant and very good at using the media to further his aims. For example, he upset the legal establishment when be advertised for clients in newspapers near the nnclear plant of Sellafield.

He did the same in Liverpool, where he was searching for people who had contracted smoking-related diseases. He attracted hundreds of potential clients and the resulting publicity brought in more.

"I think he dreams up these cases in the bath and then goes out and finds a plaintiff," says a solicitor who accuses him of ambulance chasing.

Day's opportunism is kept firmly in check by the legal aid system, however. To get state backing for the case he has to make a reasonable argument to the legal aid board, which he has done repeatedly and with great success.

Day's work can be seen as campaigning, but he has sharper focus than campaign groups. Having a few protestors drape a banner from your chimney stack or block your outfall pipe is irritating, but when some lawyer with a conscience is clever enough to use the system to burrow into the beart of your company and drag you through the courts, something has to be done.

The easiest option – especially for pragmatic business people – is simply to change, which is what companies do if they cannot easily fight off their critics. "Clearly there is a worry among the polluters, their insurers and their banks – not just about the size of claims if we succeed but also about the impact on their industry created by the cases. The real strength of our work is the way it highlights the problems of the polluting industry, rather than the benefits," he says.

The long and winding road to a porous peace

Motorways are being built with smoother asphalt in order to reduce traffic noise, writes **Charles Batchelor**

Forty years after it was invented and more than a decade after it went into widespread use on the Continent, porous asphalt, a far quieter material than either conventional asphalt or concrete, is to be used on large-scale road schemes.

The Highways Agency, which carries out the government's road-building programme, has specified porous asphalt for the 8½-mile A34 Newbury by-pass and for the resurfacing of a similar length at the London end of the M40. It has already been used on the M25.

The expansion of the motorway network and the growth of road transport has meant that few parts of the country are out of reach of the hum of traffic noise. One answer is to put up roadside screens to deflect the sound but while this protects houses close to the road it is less effective for people living further away and can be unsightly.

Increasing pressure from residents, from environmentalists and from local authorities for quieter roads has led road engineers and the suppliers of asphalt and concrete to look closely at how they design road surfaces.

Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents bnt also makes driving less stressful and hence safer for road users.

Trials are under way in the UK into two methods of reducing noise: porous asphalt and "whisper concrete". Both have been employed successfully in continental Europe.

Porous asphalt is composed of relatively large pieces of crushed stone bound by bitumen. This mixture creates a material of which about 20 per cent consists of air voids. Instead of rainwater lying on the road surface it trickles into the air gaps and down to the impervious base course below. It then follows the camber of the road to drain away to the side.

The effect is not only to reduce traffic noise and spray in wet conditions. The crushed stone is laid in such a way as to achieve an even running surface which cuts down on tyre vibration in dry weather too.

This can lower the level of noise produced by traffic by up to four decibels in dry conditions – the equivalent of doubling the distance of the listener from the source of the noise – and by eight decibels in wet.

Smoother road surfaces have the disadvantage of lowering skid resistance but, according to the Refined Bitumen Association, porous asphalt maintains a high degree of resistance, nevertheless. Additional benefits are the reduction of the glare created by water on the road in wet conditions and a 2 per cent cut in fuel consumption.

Porous asphalt was developed in the UK in the 1950s for use on airfields but has been adopted much more widely elsewhere. In Austria, where many trunk roads pass through populated valleys, public pressure has led to widespread use. In the Netherlands it is specified for use on all trunk roads.

Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents but also makes driving less stressful and hence safer for road users

Austria has the equivalent of 820 miles of four-lane motorway laid with porous asphalt, France has 850 miles, the Netherlands 640 miles and Italy 340 miles. Britain, by contrast, uses it on nine experimental sections of road amounting to the equivalent of just 25 miles of a two-by-two-lane motorway.

One reason why porous asphalt has not been more widely used is that it is more expensive than conventional hot-rolled asphalt. It can cost between 40 per cent and 100 per cent more to lay. However, the hitumen association points out that the cost of the road surface is only 2.1 per cent of total road construction costs.

Porous asphalt is also less hard-wearing than conventional asphalt. On one stretch of the M1 the Highways Agency calculated it would require renewal after five to seven years, although the bitumen association believes road lives of 12 years or more "are not an unrealistic expectation". Conventional asphalt would typically require renewal after 12 to 15 years, it says.

On the A1 Paris-Lille autoroute, which carries a lot of heavy traffic to the Channel ports, porous asphalt laid 10 years ago is still in good condition, the association says.

Asphalt is the main material used in road construction in the UK, accounting for 95 per cent of the total network, but the suppliers of the concrete used for the remaining 5 per cent are also working on quieter materials.

Traditional concrete roads are finished with transverse brush lines to direct water to the side of the carriageway and improve skid resistance. These lines and the joints between the concrete hlocks both cause tyre noise.

Whisper concrete, which is on trial at two sites in the UK, incorporates a random pattern of aggregates in its surface to produce a smoother and quieter ride. The British Cement Association says this surface is quieter than conventional asphalt although not as quiet as porous. It is abont 10 per cent more expensive than conventional concrete.

Austria once again appears to heve led the way with whisper concrete, building more than 100 miles of motorways with the material. It is on trial in the UK on a one-mile stretch of the M18 and 2½ miles of the A50 near Derby.

A cosmetic advantage of whisper concrete is that it can be supplied in different colours – blues, greys and greens – depending on the colour of the aggregate used, toning in with the landscape more than traditional white concrete.

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ARTS

Television/Christopher Dunkley

Why it's all hype on the night

It is beginning to be possible to discern what television will be like when it emerges as a fully formed mass medium. It is, of course, still a babe in arms when compared with such ancient media of expression as paint or even print. The printed word is 500 years old while television is barely 50. Television is still trying experiments and falling flat on its face – Saturday's two hour *Police Action Live* was a wonderful example to which we shall return in a moment – but that is surely as it should be with such a young thing.

Of course television is a multifarious medium which has spent much of its early history borrowing from elsewhere: theatre, cinema, newspapers, magazines, variety halls, party games. For television journalism there have been two main models, the documentary film (giving us, for instance, the half-hour *World In Action* report) and print journalism (giving us various near equivalents: the Robin Day interview, the studio discussion, and so on). But now television is finding that its own true forms – or those that bring the biggest ratings – are not modifications from older media. Whet matters more and more for television journalism is to be live or (better still *and*) personality driven. Promotion before transmission, the hype factor, is also increasingly important.

Monday's notorious *Panorama* must have received more hype, in this instance all unpaid for, than any previous programme in the history of British television. With our present system in which tha four terrestrial channels still win 91 per cent of the audience, this is useful for the network concerned (BBC1) but not essential. In the rapidly approaching world of digital television, however, where the audience will be split among scores or hundreds of networks, such prefatory activity will become vital. Standing out from the TV crowd is going to be vastly more difficult in 10 or 20 years time.

As for the content, the Princess Diana *Panorama* was near ideal: one of the most famous (and, according to many, attractive) faces in the world, doing a full length solo interview for the first time, and speaking about her husband's mistress, her own adultery, and the enmity between two royal camps. Though she had had, by all accounts, no special PR grooming for this event, her performance was remarkable: a combination of girlishness and dignity, frankness and formality, which could scarcely have been betterad, at least in terms of her own image.

No spin doctor would have dared invent those wry little twists of the mouth with which she prefaced admissions of weakness or guilt. The long term effects are imponderable, but history will surely say that she did herself far more good with this programme than her husband did with his much longer and infinitely more boring effort.

There can never be very many programmes like that, of course. On the other hand we must expect the supply of personality travelogues to go on and on increasing. Though it originated in older, non-television forms, this bas now developed into a pure television phenomenon. The presenters are comedians or game show regulars such as Michael Palin, Sandi Toksvig and Clive Anderson, and once we are ont in a Brixham trawler or an Indian steam train with them, it is difficult to say whether it is their funny lines or the scenery which is more important.

Once upon a time BBC1's *In Search Of Hoppiness* would have been presented by Alan Whicker, former agency man, foreign correspondent, and radio reporter. Now it is presented by Angus Deayton, questionmaster of the studio quiz *Have I Got News For You*, and known, we are told, as the thinking woman's crumpet. Ostensibly the subject of the final episode was the fairly serious business of finding happiness via god or, failing that, via a virtually religious dedication to a cause such as socialism or the wellbeing of hedgehogs (I am not making this up). But the level of approach became clear at the start when we were given Deayton's joke about looking for a monk with the address "A Cave, Somewhere near Kandi" not once, not twice, but three times.

In a world of increasingly rapid communication, television's ability to go live and deliver events into the viewer's bome as they bappen seems like the ultimate journalistic boon. But Saturday's *Police Action Live* showed just how comprehensively you can come unstuck. True, ITV does need something to brighten up its Saturday schedule, and the idea of having ITN cameras in police cars in London, Manchester, Newcastle and Hampshire, followed overhead by police helicopters carrying relay links and more cameras, for an bour on either side of chucking-out time, must have seemed risky yet a pretty good bet. After all the live relay is now a well practised technique in news and sport.

The result was such a disaster, however, that in the end you had to stop laughing and start feeling sorry for the poor presenter, Dermot Murnaghan. The technology rarely held up for more than two minutes at a time, the feult lying mainly with the helicopter links, presumably, given the similarity between the garbling on Saturday night and what you see so often – though briefly – during helicopter coverage of the Tour de France. Yet the major let-down was not the hardware glitches but the desperate lack of events.

Over and over again Murnaghan would break into the proceedings to announce urgently thet we were going over live to this place or that where something seemed to be bappening. It never was. The most exciting moment was when we left the Griffin Tavern in London's West End, whither we had rushed with a wpc to cover a disturbance, involving one tipsy customer, which was over-manned before she arrived, to go to Charing Cross station. There an excited ITN reporter told us that squad cars had just roared off to a nearby pub where 50 football supporters were rioting. Unfortunately it turned out to be the same little chap in the Griffin getting his nose punched.

So much for the image, painted so luridly by television news with every successive set of crime statistics, of a Britain seething with murder and mayhem, all way beyond the control of a thinly stretched police force. The television news people may bave believed their own picture but what they showed us on Saturday night across the length and breadth of Britain was the police racing around mob-banded, sirens screaming, to apprehend grinning lager drinkers wbose idea of a really good nlght out is to sneak up behind patrolling bobbies and make V-signs at a television camera.

And yet, despite this fiasco, it is safe to assume that live coverage of emergency services will fill more and more of the time supposedly devoted to journalism on television, as will personality presenters. And beavy byping will surely become more commonplace and more competitive.

Theatre

French Without Tears

Terence Rattigan'e "sophisticated comedy" is safe regional house fare, and constitutes a pre-Christmas breather in Giles Croft's well-balanced first season as artistic director at Watford. Thankfully, Tim Luscombe's prodnction makes a little more of it than the sterile throwback it could so easily have become.

James Merifield's design locates the action in a crumbling, drained swimming pool with palm trees thrusting through its sides. It constitutes a muted comment on the decadence of an upper class 1930s *milieu* in which young men, usually of little brain, take themselves off to cram for the language paper of the diplomatic service exams in a comfortable French villa.

However, Luscombe's prodnction makes no corresponding directorial comment upon events; throughout the first half of the evening we are presented with a simple romantic comedy set among the gilded youth of a bygone age, as the duplicitous siren Diana two-times nice-but-dim Kit and tha newcomer to M. Maingot's little *école*, braided naval twerp Lt-Cmdr Rogers.

It is diverting enough, but seems rather pointless. Sara Crowe relishes the opportunity to play a vamp rather than a *ingénue*, though even with her voice dropped half an octave it retains echoes of the Philadelphia bleat which continues to baunt her. The mannered cynicism of Alan Howard (Louis Hilyer) as he watches the merry dance fails to add another dimension to the proceedings.

However, after the interval the mood crystalises brilliantly. As Kit and Rogers discover that they been gulled and band together with Alan, it becomes clear that at the heart of the play lies a study in male friendship. It would be glib to ascribe this to the homosexuality of Rattigan, although it palpably informs his perspective.

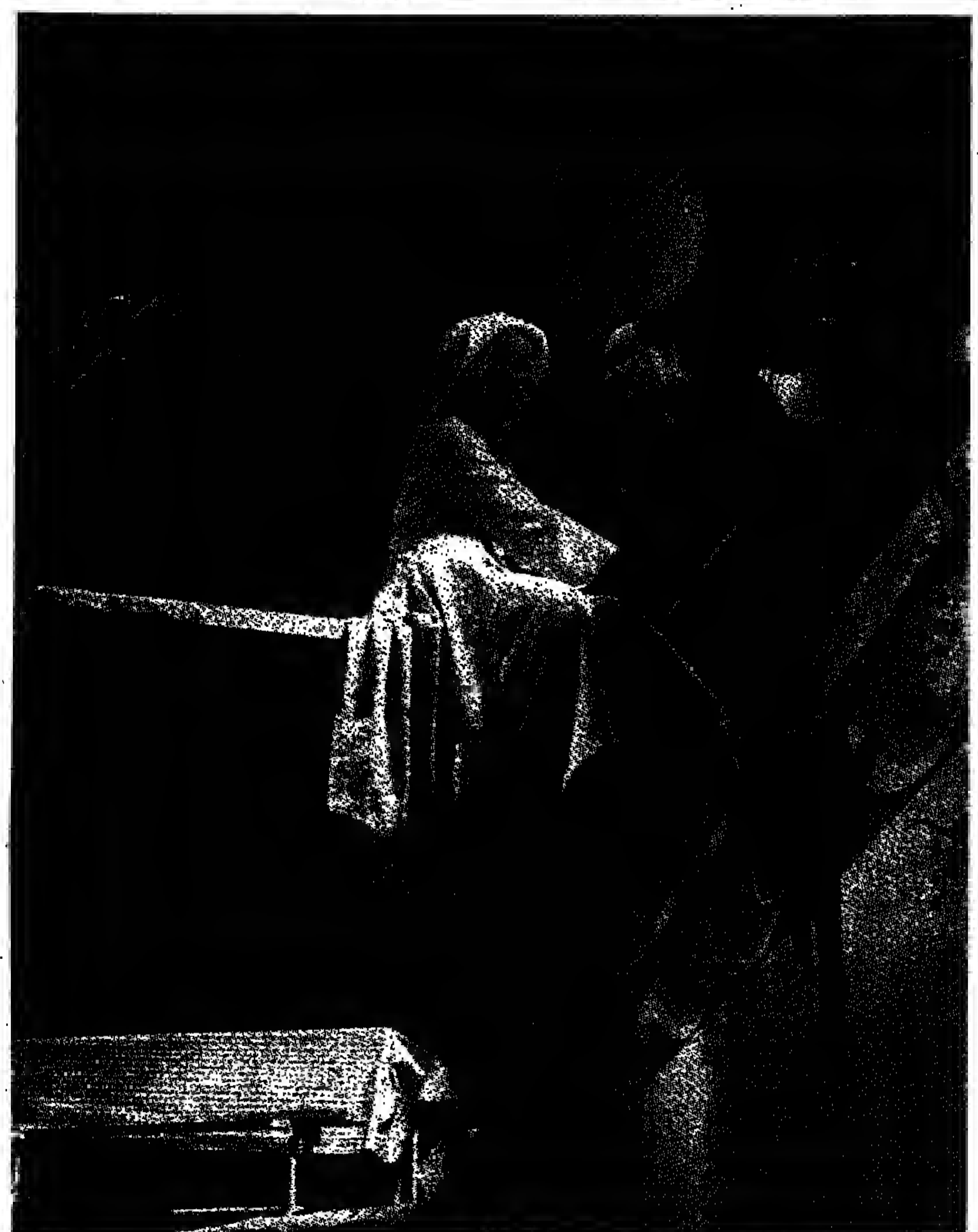
The trio's drunken bonding carries only the faintest such overtones (the inebriation, although heavily written, is seldom overplayed, and indeed supplied a minor gift on the press night to Philip Rham as Rogers, who found himself having to perch upon a folding chair that had just broken).

As Alan finds himself on the receiving end of Diana's amorous attentions, be appeals to the loyalty of his new found comrades in arms for protection. The whiff of misogyny in the air is at least partially counteracted by the presence of the good and true Jacqueline, but the focus has now shifted decisively from the Diana-driven romance plot to the masculine camaraderie of the three fellows.

Nona would claim that *French Without Tears* makes greatly trenchant statements, but Luscombe succeeds in identifying and bringing out that additional undercurrent, just enough to redeem this from being an antiquated light comedy production for its own sake.

Ian Shuttleworth

At the Palace Theatre, Watford, until December 2 (01923 225671).



From romance-driven plot to masculine camaraderie: Sara Crowe and Louis Hilyer — Alastair Muir

Concert/Antony Bye

Help for Hindemith

As one would expect of a centenary year, 1995 has been something of a make-or-break time for the reputation of Paul Hindemith. After years of respectful neglect, his prolific and still little-known output has been performed in public as never before. A BBC Festival in January at the Barbican, *Hindemith the Rebel*, focused on his avant-garde works of the 1920s and 30s; the new staging of his operatic masterpiece *Mathis der Maler* for the Royal Opera, which opened on Thursday, has been entrusted to Peter Sellars, no less; and although the record companies have not exactly been hurling Hindemith discs at us, the catalogue now includes a representative sample of his work. Even so, as a composer he still needs all the help he can muster: he has his devotees, certainly, but he has still to win the hearts and minds of both the general concert-goer and the modern-music specialist.

The 1995 International Hindemith Viola Festival, devised by the Japanese viola player Nobuko Imai, presented in Tokyo in April and due in New York next February and March, touched down in London at the Wigmore Hall last week. It was certainly an inspired idea to combine Hindemith with a celebration of the underdog of string instruments, and e wise decision to place him in the broader context of the old – Brahms and Mendelssohn – and the new – specially commissioned pieces by Sally Beamish, David Horne and the nbiquitous Michael Nyman.

Wednesday's opening concert was an all-Hindemith affair, however, with Imai herself the generous-toned soloist in two familiar works for viola and small orchestra. If the concision of the spare and eloquent *pièce d'occasion*, *Trauermusik*, written in a single day in memory of George V, was self-recommending, the dyspeptic bluster, more typical of the Hindemith style, of the folk-song impregnated viola concerto, *Der Schwanendreher*, and the op.44 *Schulwerk* pieces for amateur string orchestra, was less heartening, despite the persuasive advocacy of the Royal Northern College of Music Cbamber Ensemble under Tadaaki Otaka's spirited direction.

Yet relief was on hand, not by one of Hindemith's early radical works but by his late Octet, composed during the period when his reputation rested as much on his immense skill as a pedagogue as on his own music. Designed as a companion piece to the Schubert Octet, Hindemith's music here sweeps along with a generosity of spirit and a breadth missing from the earlier pieces, propelled by elegant counterpoint and sinewy rhythms which the London Sinfonietta despatched with enthusiastic and civilised abandon. Although Hindemith resorts to his usual academic trickery, he manages to transmute it into something rich and durable, suggesting that sometimes at least the master craftsman was capable of real, inspired art.

Sponsored by Tha Dunard Fund.

Jazz/Garry Booth

Shorter the super-sideman

Some jazz musicians have been through so many distinctive phases in their careers that people have different expectations when confronted by their hero in contemporary guise. Sixty-three-year-old saxophonist Wayne Shorter probably has three sets of fans, many of whom will have left the Sonth Bank on Sunday night with a ringing in their ears and a yearning for the old days.

As composer, soloist and super-sideman he has been in the right place at the right time since he first fronted Art Blakey's barnstorming Jazz Messengers alongside trumpeter Lee Morgan in 1959. In 1964 he joined Miles Davis and, as well as adopting a more reflective style, contributed to the book of Milesian standards with "ESP", "Nefertiti" and "Footprints" among others. In 1970, with Joe Zawinul, he formed Weather Report and, in the role of colourist rather than soloist, helped set in motlen the jazz-rock wave which he rides today.

His current band, and repertoire (a new album, *High Life* on Verve) puts all those pieces of jazz life together, without quite managing to scale the heights achieved in any. Heard in the un-funky surroundings of the Festival Hall, the all new compositions, chunks of jazz rock, crunched along well enough. The band, all electric and deafening, were young and confident. Shorter's own playing, when he finally got underway, was characteristically gritty, gangsterish, brooding and baleful.

But such is Shorter's musical direction that each of the band – two keyboardists, bass guitar, electric guitar, drums and percussion – is placed upfront. Tracy Wormworth'e fretless bass bubbled ominously, David Gilmore's electric guitar soared and rangy drummer Will Calhoun tonghed np his kit expertly. Pianist Rachel Z *(sic)* alone offered elegant relief with sparkling lines and more measured improvisation. Shorter, also on short rations np until the closing numbers, blew brilliantly coruscating soprano.

How much more engaging this edition of Shorter would be, however, if the accompaniment were pared back to reveal more of the leader's original and sharp edged technique.

Take a note of the name Maria Joao, Shorter's support on the London date. The Portuguese singer, accompanied by piano, delivered an ear poppingly wonderful display of scat gymnastics – a meeting of searingly operatic Portuguese blues, *fado*, and Ella-esque witticisms.

Sponsor: Oris Timezones.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Borodin Quartet: perform works by Borodin, Webern and Janácek; 8.15pm; Nov 25

■ ANTWERP

EXHIBITION
MUHKA - Museum van Hedendaagse Kunst
Tel: 32-3-2385960
● John Körmeling: exhibition of work by this Dutch architect/artist; from Nov 23 to Jan 14

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203092100/01
● Berliner Sinfonie-Orchester: with conductor Eliahu Inbal perform Stravinsky's "Suite No.2", Varèse's "Amériques" and Dvorák's "Symphony No.9 (from tha New World)"; 8pm; Nov 23, 24, 25

OPERA & OPERETTA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Un Ballo In Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Boiko Zvetanov, Vladimir Chernov and Julia Varady; 8pm; Nov 24

■ BOLOGNA

EXHIBITION
Galleria d'Arte Moderna
Tel: 39-51-502859
● Cahiers du Triangle: is the title of a series of exhibitions showing works by upcoming artists from France, Italy and Greece. This edition includes works by Bernardoni, Cascio, Charpin, Manetti, Novali and Orgeret; from Nov 25 to Jan 7

■ CHICAGO

OPERA & OPERETTA
Civic Opera House & Civic Theatre
Tel: 1-312-332-2244
● Don Pasquale: by Donizetti. Conducted by Paolo Olmi and performed by the Lyric Opera of Chicago. Soloists include Paul Plishka, Ruth Ann Swenson, Bruce Ford, Jeffrey Black and Jeffrey Ray; 7.30pm; Nov 25

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor David Shallon and viola-player Tabea Zimmermann perform works by Kodály, Hindemith, Bartók and R. Strauss; 8pm; Nov 24

OPERA & OPERETTA
Opernhaus Tel: 49-221-2218240
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Selig, Rainer Trost, Harry Peeters and Amanda Halgrimson; 7.30pm; Nov 23, 29

■ HELSINKI

CONCERT
Finlandia-talo - Finlandia Hall
Tel: 358-0-40241
● Helsinki Filharmonia: with conductor Ion Marin and bass Yevgeny Nesterenko perform works by Ciurlionis, Mussorgsky and Stravinsky; 7pm; Nov 23

■ LEIPZIG

DANCE
Oper Leipzig Tel: 49-341-1261261
● Die Schöpfung: by Haydn, in a choreography by Scholz. Performed by the Leipziger Ballett and the Gewandhausorchester; 7.30pm; Nov 24

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● An Evening of Opera with Lesley Garrett: the star of BBC2'a "Viva La Diva" sings highlights from her albums in a concert of favourite arias and popular songs. Featuring the BBC Concert Orchestra with conductor Peter Robinson and special guests Sara Fulgoni and David Barrell; 8pm; Nov 25

Royal Festival Hall
Tel: 44-171-9604242
● The Royal Concert: In the presence of HRH The Duke of Kent. Works by Walton, Maw, Elgar, Purcell and Britten performed by the BBC Symphony Orchestra with conductor Andrew Davis, the Choir of King's College Chapel, Cambridge with director Stephen Cleobury, and the musicians of the Royal Military School of Music with conductor Lt Col C.G. Ross; 7.30pm; Nov 23

St. John's, Smith Square
Tel: 44-171-2221061
● Young Musicians Symphony Orchestra: with conductor James Blair and narrator Lord Gowrie perform "Aldeburgh Variations" by Tippett/Berkeley/Britten/Searle/Walton, a new work by Coe, Britten's "Young Person's Guide to the Orchestra" and Elgar'e "Enigma Variations"; 7.30pm; Nov 23

St. Martin-in-the-Fields
Tel: 44-171-8398362
● English Arts Chorale and Orchestra: with conductor Leslie Clive perform Mozart's "Requiem"; 7.30pm; Nov 23

Wigmore Hall Tel: 44-171-9352141
● Takács Quartet: perform the Bartók String Quartets Nos.1, 3 and 5; 7.30pm; Nov 23

DANCE
Royal Opera House - Covent Garden Tel: 44-171-2401200
● The Royal Ballet: perform the choreographies "Apollo" and "Duo Concertant" by Balanchine to music by Stravinsky, "Fearful Symmetries" by Page to music by Adams, and "Sideshow" by MacMillan to music by Stravinsky; 7.30pm; Nov 23, 25, 30

THEATRE
Lyttelton Theatre
Tel: 44-171-6330880
● Wild Oats: by O'Keeffe. Directed by Jeremy Sams and performed by the Royal National Theatre. Starring Anton Lesser, Alan Cox, Sarah Woodward, James Bolam and Andrew Sachs; 7.30pm, Sat & Wed also 2.15pm; from Nov 24 to Nov 30 (not Sun)

Olivier Theatre Tel: 44-171-6330880
● Mother Courage and her Children: by Brecht/Hare. Directed by David Hare and performed by the Royal National Theatre. Featuring Diana Rigg; 7.15 pm; Nov 23, 24, 25 (also 2pm)

■ LUXEMBOURG

CONCERT
Théâtre Municipal Tel: 352-470895
● Michel Dalberto: the pianist performs Schubert's Sonatas No.15 and No.21 and Debussy'a "Préludes (Book I)"; 8pm; Nov 23

■ LYON

CONCERT
Auditorium Tel: 33-78 95 95 95
● Orchestre National de Lyon: with conductor Emmanuel Krivine and pianist Evgeny Kissin perform Tchaikovsky's "Piano Concerto No.1" and R. Strauss' "Ein Heldenleben"; 8.30pm; Nov 23, 24, 25

■ MADRID

EXHIBITION
Fundación Colección Thyssen-Bornemisza
Tel: 34-1-4203944
● Picasso in 1923. Harlequin with a Mirror and The Pan-Pipes: exhibition investigating the relationship between Picasso'a "Harlequin with a mirror" and "The Pan-Pipes", both dated 1923. The paintings mark the end of Picasso'e neoclassical period. Along with the two key works, the exhibition includes a set of drawings and sketches from the same period, which illustrate the links between the paintings and their creative process; from Nov 24 to Feb 18

■ NEW YORK

CONCERT
Auditorium of The Metropolitan Museum of Art Tel: 1-212-5703949
● Juilliard String Quartet: perform works by Beethoven in its 50th anniversary season; 8pm; Nov 24

Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur in an all-Beethoven programme, including "String Quintet, Op.104" and "Symphony No.6 (Pastoral)"; 2pm; Nov 25

■ PARIS

CONCERT
Cité de la Musique/Musée de la Musique Tel: 33-1 44 84 45 45
● London Baroque: with conductor Charles Medlam perform works by Purcell; 4.30pm; Nov 25

OPERA & OPERETTA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Tosca: by Puccini. Conducted by Seiji Ozawa and performed by the Opéra National de Paris. Soloists include Galina Gorchakova and Keith Olsen; 7.30pm; Nov 23

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Financial Times Business Tonight

Edward Mortimer

Detour on the road

Next year's intergovernmental conference to revise the Maastricht treaty will not deal with the policies that most need revision

An air of fatalism and gloom surrounds tbe preparations for revising the Maastricht treaty.

Yon might think, since Maastricht is so generally unpopular, that people would welcome the chance to improve it at next year's intergovernmeotal conference. Instead, tbe treaty-drafters of Europe are so demoralised by tbe reception they got last time that they dread having to go through the exercise again. Last week I even heard a senior member of the European Commission attempt to cheer himself up by saying that the pre-conference skirmishing was "no worse than before Maastricht".

The conference will start next year for one reason only, which is thet Maastricht itself says it must. After negotiating and ratifying that treaty with sucb difficulty, the governments of the EU dare not ignore one of its most explicit provisions.

But they are doing their best to limit its scope. The conference is very unlikely to attempt any revision of the most topical and controversial parts of the treaty, which concern economic and mooetary union. If the Emu timetable is eventually set aside, it will be under tbe pressure of events.

Never mind. The real task, we are told, is to prepare for enlargement. But it will not deal with the two policies that most need revision if enlargement is to work: the Common Agricultural Policy and the structural funds. Those will be tbe subject of a political negotiation, whicb powerful vested interests will delay as long as possible. The conference, by contrast, is a treaty-revising exercise. It will deal with institutions and procedures. Dry stuff: a complete turn-off for public opinion.

Tbe British government favours enlargement, hut is determined not to accept any "deepening" of the EU – that is, any further erosion of national sovereignty – as the price of widening. In this it is both right and wrong, because deepening can take two very different forms.

If it means extending the competeoces of the EU into new policy areas, than it should indeed be opposed. The more member states there are, the greater their geographical, economic and cultural diversity, and the less feasible it becomes to harmonise too many aspects of their national lives. Indeed, some rollback of competences would be advisable.

But if deepening means enabling the Union to act more decisively and effectively where it *does* have competence, then indeed the more member states there are the more necessary it becomes. A community of six could take decisions by arguing each issue out around the table until a consensus amerged. Today's Union of 15 is already almost paralysed by its attempts to do so. Tomorrow's Union of 20 or 24 states will be completely paralysed unless the machinery is improved.

Before improving the machinery, however, it is a good idea to ask what wa actually want it to do. What is the Union for? The Federal Trust, a London-based think-tank, gives as good an answer as any in a paper* published this week: the EU "has a responsibility for ensuring the future security and stability of the European continent".

Does that mean that it must become a military organisation? No, says the trust. "It would be expensive to replace Nato, and doubly expensive to construct a parallel system to it." But most of the post-cold war threats to stability in Europe do not lend themselves to a military response. It is the civilian aspects of foreign policy that are needed, and here the EU has powerful instruments: trade (especially access to its market), financial assistance, and in some cases the prospect of membership.

These are formidable levers for influencing the behaviour of neighbouring countries, whether in the former Soviet Union, the Balkans, north Africa, or the eastern Mediterranean and Middla East. But oddly enough they are levers that fall within the competence of the old (pre-Maastricht) Community. All thet "foreign policy" adds (but it is a crucial addition) is the will and capacity to use those instruments in the service of a coherent strategy.

As soon as one realises that, one sees how perverse is the "three-pillar" structure, with its separate procedures for the traditional Community, foreign and security policy, and justice and home affairs.

Why devise s completely separate set of procedures for the foreign policy of the Union, when tha means to conduct that foreign policy are those of the Community? It was a recipe for incoherence, and it has produced a lot of pointless turf battles which prevent anything much from getting dona. Tha mamber states are on the watch-out for the Commission interfering in foreign policy, which they regard as their prerogative, while tha Commission is obsessed with the fear that "pillar one" – traditional Community business – is being "contaminated with second-pillar [ie, intergovernmental] – procedures". No wonder the public is disgusted with the whole enterprise.

Yet that task, of ensuring security and stability in and around Europe, is ona that desperately needs doing. The argument about majority voting is largely beside the point. How often do national cabinets take a vote on foreign policy issues? What is needed is a collective brain, capable of thinking strategically, developing a foreign policy and arguing for it.

The most logical course would be to build that brain out of the relevant departments of the *Commission*. But since the Commission has become a bogeyman for some member states, let it be elsewhere – presumably in the Council secretariat – and let the relevant departments of the Commission be clearly subordinated to it. What should above all be avnided is what we shall probably get: an incomprehensible rejigging of the present already incomprehensible arrangements.

* *Security of the Union, Federal Trust Paper 4. BEBC, tel +44 1202-715555, fax 715556. £7.95*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Possibility of default clearly seen

From Mr David J. Kidd.

Sir, Boris Allan (Letters, November 17) says the founders of the US did not foresee a situation where legislators might put the US in default. He underrates the American revolutionaries.

Thomas Jefferson, author of the Declaration of Independence and third president, clearly contemplated default in specific situations to preserve liberty. Government debt is merely deferred taxation. An unfettered power to borrow is indistinguishable from an unfettered power to tax: both are repugnant to a free people. Both destroy the natural right to property and to the fruits of one's own labour.

Writing to James Madison (September 6 1789), Jefferson said that the earth belongs to the living, which he called "a fundamental principle of every government"; and one generation of men has no right to bind another: "Suppose Louis XV and his contemporary generation had said to the moneylenders of Holland give us money that we may eat, drink and be merry in our day. The money is lent on these conditions, is divided among the people, eaten, drunk and squandered. Would the present generation be obliged to apply the produce of *their labour to replace these* dissipations? Not at all."

Ha advocated a constitutional provision declaring long-term government debt null and void and referred to "the inattention of money lenders to this law of nature, that succeeding generations are not responsible for the preceding;" he referred further to the ruinous power of European governments to contract enforceable long-term debt as the means by which "despots hind in chains their fellow-men".

David J. Kidd,
Citroen Wells,
1 Devonshire Street,
London W1N 2DR, UK

S Africa approach on Nigeria demonstrates genuine leadership

From Ralebelo Motsamai.

Sir, The coincidence of South Africa's policy with its actions in respect to Nigeria demonstrates the genuine world leadership emerging from this country ("Mandela in protest to Shell chiefs over Nigeria", November 21). This gives hope for both Africa and the world, particularly in the face of the wishy-washy flexing by UK prime minister John Major and Bill Clinton, US president, and the rest of the first-world posers.

This consistent approach, seemingly based in a common human ethical ground, gives hope for resettling the imbalances perpetuated by the selfish diatribe of the so-called first-world nations with their policies based upon short-term maximum individual (financial) gain.

When was the last (first?) time that superpowered watchdog, the US, gave moral leadership which in turn genuinely stood to undermine its financial comfort? Too bad that Colin Powell has not declared his candidacy for 1996.

Ralebelo Motsamai,
Temple Architecture,
225 East 4th St #23,
New York, NY10009,
US

Negative

From Mr Jake Backus.

Sir, Why is it that a weakening pound is seen in such a negative way by the press? For example, in Philip Gawith's currency markets article (November 20), phrases such as the heading, "Danger signs for sterling", and "...recent history suggests this should help sterling", are used. It is exporters that are helping to take the UK forward and out of recession, and it is Britain'a growing export business that helps to create jobs and the wealth of the nation, not the "...more aggressive speculators" you mention.

Jake Backus,
regional director Americas,
Jeyes International,
Brunel Way, Thetford,
Norfolk IP24 1HA, UK

Tax alternative a sleight of hand

From Mr Gordon Brown MP.

Sir, Mr Andrew Dilnot, director of the UK Institute of Fiscal Studies, referring to Labour'a long-term ambition to cut the starting rate of income tax to 10p in the pound as a "gimmick", claims that his alternative proposal to increase allowances would be more progressive ("Conservatives scorn Labour plan for tax cuts", November 20").

But Mr Dilnot'a published figures, in fact, confirm that *cutting the starting rate of tax* is not only much fairer than cutting the basic rate of tax, but also fairer than simply raising allowances which disproportionately benefit top-rate taxpayers.

Mr Dilnot's only answer is a sleight of hand: to combine higher allowances with "other adjustments to ensure richer individuals do not gain more than poorer individuals". By this he means that "the point at which higher rate tax is charged is adjusted accordingly", which means an offsetting tax increase for higher-rate taxpayers.

But Labour's proposals are fairer still because, as I said last weekend, we will combine a cut in the starting rate of tax with an equivalent cut in benefit tapers.

Mr Dilnot ends his analysis by claiming that trying to improve the work incentives of the unemployed and low-paid by cutting the starting rate of tax is a mistake because so few *of these hard-hit groups are* 20p tax payers.

This is precisely the prohlem Labour's welfare-to-work proposals are designed to address. The real scandal in today's modern labour market is that one in five non-pensioner families have no-one in work, compared to one in 12 in 1979. People are trapped by inadequate work opportunities, low skills and the low wages they can command in work, and a welfare state which traps people in dependency because of penally high marginal tax and benefit rates.

My speeches proposed a new approach to employment, tax and social security policies to get workless families back to work and on to the lowest tax band.

In short, Mr Dilnot'a analysis does not support his over-the-top rhetoric. And his conclusions are based on a static view of the world which does not take into account the dramatic changes which have occurred in our increasingly dynamic labour market over the past decade or so. Labour's welfare-to-work proposals, of which a cut in the starting rate of tax are an integral part, are based on such an understanding.

Gordon Brown,
shadow chancellor of the exchequer,
House of Commons,
London SW1A 0AA, UK

Appreciation

From Mr Justin Milward.

Sir, I am not the least surprised by Stephen Pettitt's comment that "writing about Michael Nyman's music has got me into trouble in the past" ("Nyman's 'rough music' ", November 14). He consistently fails to appreciate, as do many of his fellow music and arts critics, that in a modern creative environment, less is usually more.

Justin Milward,
Jayrise,
Butcombe,
Nr Bristol, BS18 6UT, UK

City of London will lose if UK not in Emu

From Mr John Szemerey.

Sir, Good to see a leading banker warn the government of the dangers of opting out of the single European currency ("London 'could suffer' if UK stays out of Emu", November 18).

Lord Alexander, chairman of National Westminster Bank, is right to point out that an inevitable result of staying out of a European economic and monetary union (Emu) during its early years is that the City and UK industry will be damaged. If a future government does not reverse such a policy, mnch financial husiness will transfer to Frankfurt, Paris, Milan and other European financial centres, and the City will be reduced to merely a regional European financial centre.

Similarly, external investment in the UK may well be reduced, preferring to go to a European country in the single-currency area rather than invest in the UK and risk the instability and expense of a floating currency that is at the mercy of world influences. British industry will also suffer from these same elements, instability and the extra costs of a currency that cannot hold its own against a much more stable European Ecu.

Six months ago a high-level Conservative policy group that I have the honour to chair warned ministers and policymakers within the Conservative party that "if Britain stays out of the single European currency for long, the City may be damaged beyond repair. . .Germany is preparing to be the European Union's financial centre while British short-sightedness risks destroying the City".

By the middle of next century the Ecu could replace the ailing dollar as the currency in which most world trade is done. If John Major's government opts out of the single currency, it will have thrown away the enormous trading advantage of using an international currency as its national currency. What a price, just to keep a handful of Eurosceptics happy!

John Szemerey,
chairman, policy group,
British Conservative Association in Belgium,
76 Marnixlaan,
B-3090 Overijse,
Belgium

Personal View · **Francis Ghilès**

Spend wisely not lavishly

A new 'multifund' could help anchor southern Mediterranean countries to the EU

Three years ago, the European Union more than doublad development ald spending on the 12 Mediterranean and north African countries on its so-called "southern rim" to Ecu4.04bn ($5.2bn) over four years. Some will no doubt be clamouring for even more money for the region at next week's EU Mediterranean summit in Barcelona.

Such calls should be strongly resisted. More funds alone would do nothing to increase the pace of economic growth and the number of jobs available to a fast-rising population in the 12 countries, which include Egypt, Morocco, Algeria and Turkey.

The *real challenge* for the EU is how to get better results from existing funding. That means addressing two serious problems.

The first problem is that actual investment remains low. This is in spite of tha availability of plenty of EU capital and many worthwhile investment projects. The second problem is that private and pnblic financing rarely work well together.

Countries such as Morocco, Tunisia and Jordan have been going through a quiet "cultural revolution" since tha mid-1980s. Domestic financial markets are developing fast and attracting funds which are invested in the real economy.

Stock market capitalisation in Egypt, Morocco, Jordan and Tunisia remains small, however, at $20bn overall. This compares, for example, with $139bn in Singapore. It is a similar story with private investment flows: between 1982 and 1992, southern rim Mediterranean countries attracted just 6.7 per cent of total private investment going to non-Organisation for Economic Co-operation and Development countries.

It needs also to be borne in mind that the industrial fabric in these countries consists largely of small and medium-sized family businesses. The corporate culture of these enterprises does not set much store by clarity of accounting procedures. Profits are often reinvested with the aim of maximising return on capital or of avoiding taxes. Fully 60 per cent of corporate profits in Morocco are reinvested in property, to the detriment of more prodnctive forms of investment. The capital of these companies is only slowly being opened to outside investors.

A fund of funds could help change the status of southern rim countries from a virtual *terra incognita* into a more attractive proposition

Local banks, furthermore, usually ignore the needs of these companies – in particular the more modern-minded ones. Decision-making in these banks remains a legacy of the past – highly centralised and opaque – and the vast majority of loans are short-term. The result is that evan well-informed local entrepreneurs have to face down the conservatism of their country's civil service, which often prefers to allocate funds to state-owned, rather than privata, companies.

As a result private industry is cut off from the financing earmarked for it by Brussels and Washington. Local banks add insult to injury by claiming there is no demand for long-term finance, although few of them have the capacity to identify good investment projects.

Moreover, existing lines of foreign credit tend to be monopolised by large local companies, which are usually atate-owned.

These difficulties raise the question of why tha more dynamic smaller companies, on both sides of tha Mediterranean, are not more closely associated with the managemant of these credit and investment lines.

A critical mass of such lines does exist: in addition to the EU money, an estimated $138bn worth of funds is held offshore by residents of Egypt, Algeria, Morocco, Jordan and Tunisia. If only a fraction of this were invested in southern rim countries, the impact on growth rates would be substantial.

Structures to transfer funds also exist and they are becoming more diverse. Yet the extreme difficulty of harnessing funds of diverse origin and getting them to work together effectively is often crippling.

An idea recently floated by Mr Abderrahmane Hadj Nacer, chairman of the Paris-based GP Banque, a bank specialising in investment in southern rim countries, may help to address this.

Mr Hadj Nacer envisages a partnership between an EU-sponsored "multifund", which would have the role of attracting money from a variety of private and public investors, and a series of locally based investment funds which would seek out suitable opportunities for using it.

Such a fund of funds could help change the status of southern rim countries from a virtual *terra incognita* for private western investors into a more attractive proposition. This could, in turn, belp the EU to achieve its ambition of creating by 2010 a free-trade zone anchoring these countries to the European market, as well as its broader strategic aim of stabilising the Mediterranean region.

The author is founder of FGA Associates, a consultancy specialising in Mediterroneon affairs

هكذا من الأصل

FINANCIAL TIMES
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Wednesday November 22 1995

Making the peace stick

For the past three weeks, the leaders of Bosnia, Croatia and Serbia have incbed their way, full of suspicion and mutual hostility, towards a peace deal in their war-torn lands. Locked away from the glare of publicity on the US air force base at Dayton, Ohio, they have been begged and bullied towards agreement under all the diplomatic and moral pressure that the US can bring to bear.

Yesterday a deal was done. That must be warmly welcomed as the biggest step yet towards a lasting peace in the region. It is a tribute to the negotiating skills of the US team and their European allies. But it will require months, if not years, of dedication and commitment from all concerned to ensure that peace really comes to pass. The three weeks of negotiation will undoubtedly prove to bave been the easier part. The tough bit is to make it stick.

Both Croats and Serbs were ready to accept the deal in the final bours, while the Bosnians were obviously very doubtful. They sought to persuade the outside world that the peace talks were falling apart. Yet again, it is clear that it was Bosnia, the main victim of all the fighting, and battleground for the aggressive ambitions of its bigger and better-armed neighbouring states, which has had to make the biggest concessions. That was also the case under all the previous European peace efforts, and it is now the only outcome which the US has been able to broker.

Of course it is a sorry solution that the aggressors should be rewarded for their aggression. But President Bill Clinton insists that the deal will preserve Bosnia as a single state, "within its present borders and with international recognition". He also says that individuals charged with war crimes – which means Mr Radovan Karadzic, the Bosnian Serb leader, and General Ratko Mladic, his military commander – will be excluded from political life of the country. But there is little doubt that the divide between the Bosnian-Croat federation, on one side, and the Bosnian Serb area, on the other, will be deep. It will also be highly unstable. Thousands of families have been torn from their land in the terrible process of ethnic cleansing on all sides.

President Slobodan Milosevic of Serbia, whose dreams of a Greater Serbia played a big part in precipitating the Balkan tragedy, must now sell the deal to the Bosnian Serbs. But much will also depend on the organisation and commitment of the peace implementation force to be despatched by the US and its Nato allies. Mr Clinton has to persuade a very dubious Congress that 20,000 US troops can and should be sent to participate. If they are not, the whole peace effort could come apart.

US involvement in the peace process has been the essential factor in forcing the warring parties to do a deal. A lasting US commitment to the process – way beyond the next presidential elections, if necessary – is now equally essential to make it stick.

Boardroom splits

The obvious point about corporate governance to be made after the bust-up at Cable and Wireless is that a board which contains both an executive chairman and a chief executive risks an explosion. That must be especially true in a company like this, which faces a series of crucial decisions about its future strategy.

C&W has a very profitable position in Hong Kong: in many other parts of the world it is trying to build up a presence in the face of established competitors, and to form links with a range of telecommunications giants. The scope for disagreement about the various choices open to the company is enormous: it needs one person who is clearly in charge, and who has the confidence of the board, to make things work. This it obviously has not had.

The second point, concerning the role of the directors, will take longer to determine. C&W has a roster of half a dozen impressive non-executive directors. It seems startling that they allowed relationships to deteriorate to this extent. It is not as though the chief executive's concern about his chairman's entrepreneurial style had been any great secret in recent months.

Having reached the point of crisis, it also seems remarkable that tbey were unable to choose between the two key players: both have bad to go. But they may have faced an impossible task, at least in the past week or two. They could have found it difficult to find a new chief executive willing to work under the chairman, Lord Young, who had already managed to lose a number of senior figures from the top ranks of the company. And if they did not have complete confidence in Mr James Ross, the chief executive, the other option would have been closed to them as well.

All the same, this affair shows the limitations of what can be expected from non-executive directors, however well qualified they may appear on paper. In the end, it is the personalities of the senior executive directors that make the difference: in this case, there seem to have been serious incompatibilities stretching back over a period of time.

One issue has now been resolved: the new chairman has been appointed on a non-executive basis. The question is whether the company will now be granted the time to appoint a chief executive and build an agreed strategy, or whether some predator will attempt to take advantage of the current disarray.

A final thought: you could see why C&W, which has to develop delicate relationships with governments around the world, would want to appoint a political figure like Lord Young as chairman. The mistake was to allow confusion about his role. GEC also tends to appoint politicians to its chair, but has never left any doubt about who calls the shots.

Emu worries

The Britisb prime minister is worried about European economic and monetary union. He is not alone. But Mr John Major's concerns are intriguing. This advocate of "variable geometry" – the idea that countries should not participate equally in all aspects of the European Union's work – is apparently now disturbed by its consequences.

"In some areas of policy," Mr Major argued in his speech at the lord mayor of London's banquet on Monday, "variable geometry may be sensible, indeed inevitable. But it needs to be thought through. For instance, how would a single currency and the currencies of the rest of the EU co-exist? How would Europe's institutions serve the interests of those countries which adopted the single currency and those who didn't? What would it mean for the Community budget? What would it mean for the single market?"

France does fervently believe that a single market needs currency stability and, ideally, a single currency. Countries outside must, argue the French, bind themselves not to engage in competitive devaluation. But why should Mr Major, who heads a country held by France to be one of the practitioners of competitive devaluation, profess worries on this score? Emu would, in any case, merely prolong the existing situation within the single market. This would be intolerable only if the situation were intolerable and something could be done about it. But nothing can be done about it, short of pushing everyone into Emu.

This Germany refuses to accept, preferring a small union among low inflation currencies to a wider union of higher inflation, unstable currencies. Given this decision, Emu would make Europe's chief currency just a bigger D-Mark. Members of the narrow Emu may then try to co-ordinate a wide range of policies, which would create a politically dominant voice in the EU. This would be extremely unwelcome to the UK. But if the UK is concerned about this danger, it should not let itself be excluded.

A nnmber of administrative arrangements will indeed have to be thought through, such as monetary arrangements between Emu members and others and what currency to use for budgetary purposes. But these do not seem particularly difficult.

It is puzzling why the absence of currency arrangements between Emu members and those outside should worry a man prepared to live with floating exchange rates – and why he fears Emn might increase the threat of currency instability to the single market. If the hard core were to become a mini political union, the EU would indeed be profoundly altered for those ontside. But one cannot hope to enjoy the benefits of being outside and inside at one and the same time.

The myth behind the miracle

Tony Jackson asks how far corporate America's golden years of prosperity were based on an unrepeatable set of advantages

The resurgence of corporate America, it seems, is an established feature of the 1990s. Even at this late stage in the economic cycle, growth in company profits is running at around 20 per cent a year. Many chief executives, *already rubbing their hands over* their annual bonuses, will tell you there is more to come.

In the past five years, they say, US industry has put in immense efforts to restructure and reform itself. While the latest economic upturn may have helped, it is not at the root of the recovery. American companies have pulled themselves up by their own bootstraps.

It seems a far cry from the days when America was fearful of being eclipsed by the emerging giants of Asia. Now, with Japan in particular sunk in depression, US confidence has risen proportionally. "Technology is transforming the US economy into the most productive in the world," trumpeted the cover of the US magazine *BusinessWeek* last month. "Higher living standards seem inevitable."

Some more reflective US business leaders are less sure about that. Mr George Fisher, chairman of Kodak, points to the distorting effect of dollar weakness against the yen and D-Mark. "Mnch of our industry looks better than it really is," he says. "And because of the domestic situation in Japan, some Japanese companies don't look as strong as they really are."

Mr Fisher remains basically bullish on US competitiveness. A number of economic studies are less so. They share two common themes. First, America's performance must be judged over decades, rather than the latest cycle. Second, the final test of a nation's economic strength is not the profitability of its corporations, but the prosperity of its people.

The supposed decline in tbe American standard of living is a familiar and hotly contested topic. While the average hourly wage, for instance, has fallen by 1 per cent a year in real terms since 1974, adjustments need to be made for non-wage benefits such as pensions. Even so, it seems clear that the real income of the average family has remained flat for two decades.

Meanwhile, the US infant mortality rate is among the highest in the developed world. America's schoolchildren rank last among the big industrial nations in their grasp of science and mathematics. And while America's postgraduate education remains among the world's finest, the cost has risen by at least a third in real terms since 1980, far outpacing the average family's capacity to pay for it[1].

At the same time, US corporations have reduced spending on capital investment and research and development, at least in relative terms. Capital expenditure is now running at around 2 per cent of gross domestic product, half the 1960 level. R&D expenditure, which grew at three times the rate of the economy in the period 1953-68, has since then lagged behind[2].

Among the various explanations for this, one of the gloomiest comes from the US economic historian and journalist Mr Jeffrey Madrick. In a recent book[3] he argues the economy, after well over a century of remarkable expansion, hit the buffers with the first oil shock of 1973.

From the civil war until 1973, Mr Madrick computes average real annual growth in US GDP at about 3.4 per cent. Since then, it has run at about 2 per cent. Year by year, the difference is slight. Over time, the effect is devastating.

Mr Madrick's explanation of the *change falls under two headings.* First, America historically possessed the huge advantage of the biggest developed market in the world. Second, US companies pioneered the methods of mass production to serve that market.

Since then, the growth of world trade has robbed the US market of its unique character: other regions round the world have forged markets on an American scale. At the same time, mass production has been superseded by Japanese-style flexible manufacturing. As part of its recent restructuring, US industry has now caught up with these methods; but it has lost its comparative advantage.

The same applies in perhaps the most important area of all, technology. Take one of the most doggedly competitive of all US companies, General Electric. Besides being America's biggest company by market value, it continues to slog it out with international competitors in high-tech markets ranging from aero engines to medical equipment.

Mr Lonnia Edelheit, GE's head of research, is careful to defend GE's research record. R&D spending is running at about \$1.7bn a year, and is highly productive. The company is filing for more patents than ever, at around 1,000 a year.

But, he concedes, spending is lower than it used to be. This is partly because of budget cuts at the US Department of Defence, which traditionally played an important role in funding US industry. Even excluding the defence contribution, R&D is declining in relation to sales. GE long since abandoned basic research as unproductive. Now, its longer range applied research is shrinking too, in favour of more immediate projects.

Mr Edelheit's explanation is historical. Take, he says, his company's invention of the modern X-ray tube in 1913. At the time, GE was probably tbe only place in the world with the relevant technology.

"Even in the mid-1970s," he says, "when we invented the CAT scanner [a medical scanning device], very few companies could have done it, and not the Japanese. But now everyone has the technology: Siemens, Philips, Toshiba, Hitachi, the Koreans and the Taiwanese. Everything we do has to be done more quickly."

Looking forward, his point can be illustrated by perhaps the most explosive innovation of tbe late 1990s, the Internet. This is an American invention, and indeed had its earliest origins in the now cash-strapped US Department of Defence.

American expertise with tbe Internet, the worldwide computer network, has already created a generation of millionaires, one of the most striking being 24-year-old Mr Marc Andreesen. Netscape, a company he co-founded last year to provide software for the internet, now has a market value of more than \$4bn.

But there is nothing proprietary about the internet. In theory, Mr Andreesen's feat could be matched tomorrow by any bright graduate student with a personal computer in Madras or Shanghai.

Mr Fisher of Kodak does not disagree with this. The Internet, he says, is part of the democratisation of software. The useful life of technology is getting steadily shorter.

But that, he says, is all part of the game. "It comes down to cycle times. You have to do it faster, in an environment which is increasingly based on open standards and systems. I think intellectual property, whether in hardware or software, is more important than ever. It's just that the time advantage is shrinking."

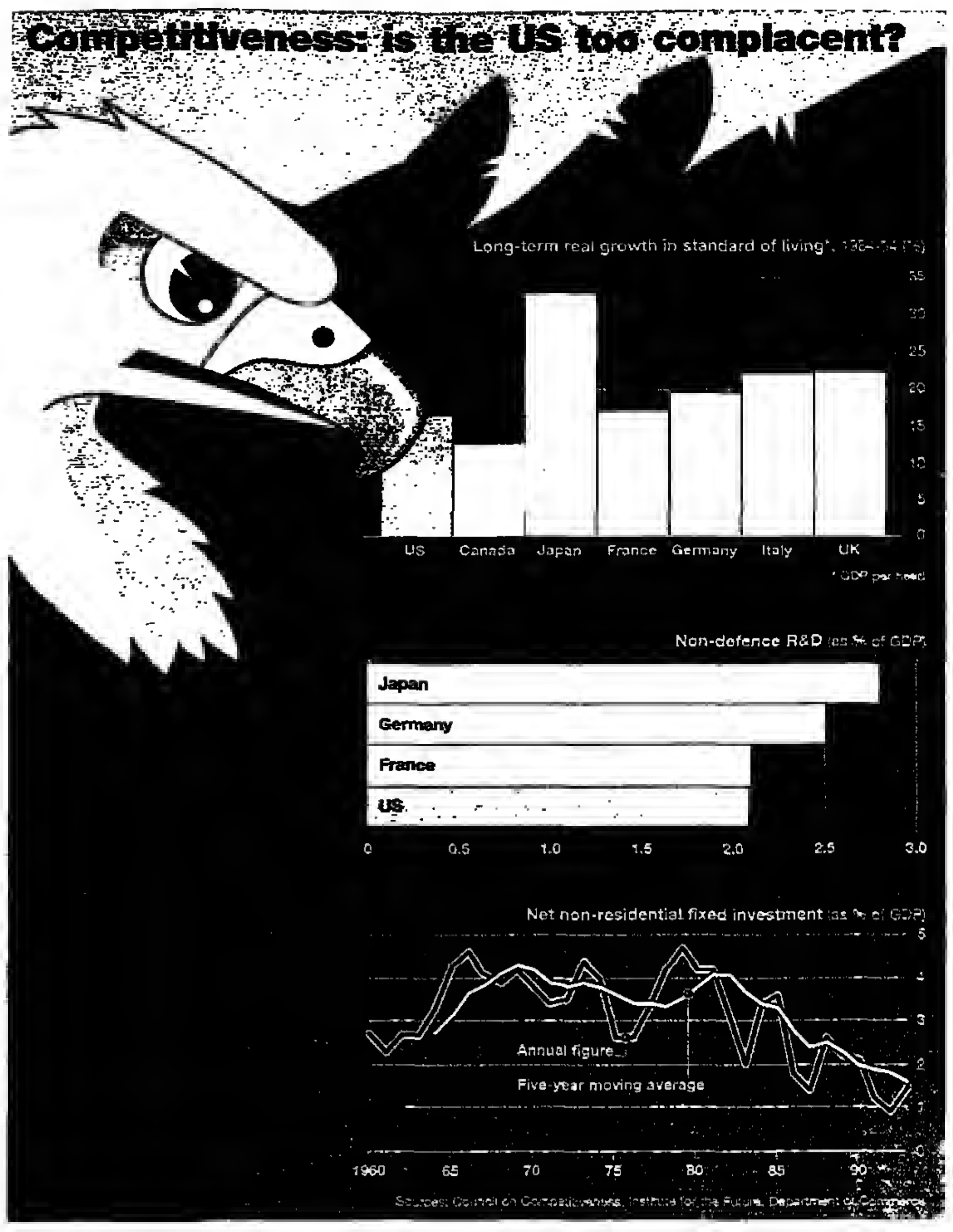
And, he is clear, America is up to the job. "There have been significant improvements in US industry in respect of the fundamentals: in quality and cycle times, whether in factories or in new products. Those are real, and I think they're permanent if people keep up the pressure."

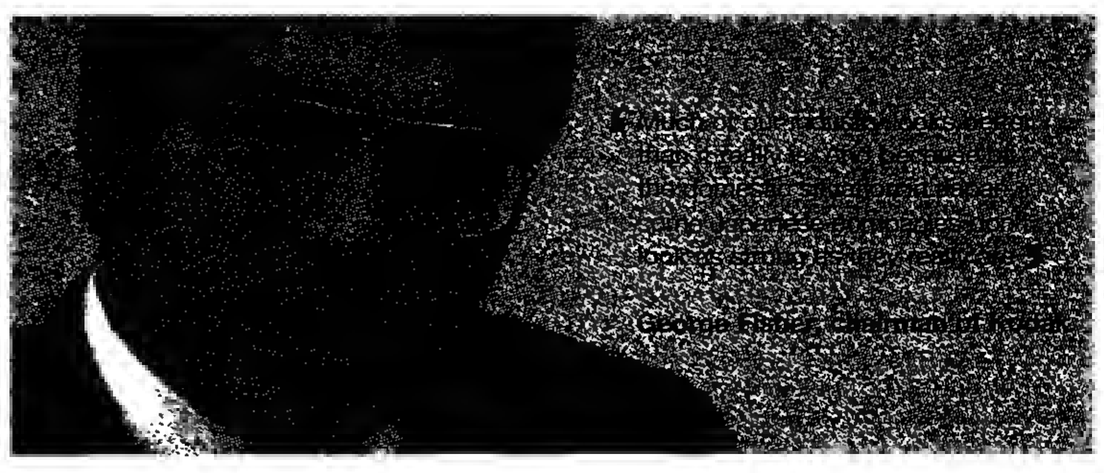
That in turn *may* be beside the point. The issue is no longer whether US industry can hold its own in an increasingly competitive world: it can donbtless do so. The qnestion is rather bow far the golden years of American prosperity were based on an unrepeatable set of advantages: in markets, technologies and manufacturing techniqnes.

In that context, the present mood of complacency seems slightly perverse. Mr Edelheit of GE regularly attends meetings of the Industrial Research Institute, a group of industrial scientists. A few years ago, he recalls, the talk was all of productivity and getting costs down.

"The last couple of meetings," he says, "the mood has been that we're back to the old days and everything's okay. That's not the world I know."

[1]*Council on Competitiveness: Human Resources Competitiveness Profile.* [2]*Institute for the Future: The Future of America's Research-intensive Industries.* [3]*The End of Affluence (Random House).*





· O B S E R V E R ·

Brussels roundabout

■ There are some long faces in Sir Leon Brittan's cabinet. Faced with the task of appointing a new chef de cabinet, the former British trade and industry secretary has overlooked the ambitious types in his own cabinet, and brought in a career UK civil servant.

Ivan Rogers, 35, an ex-Balliol man who used to be private secretary to chancellor of the exchequer Kenneth Clarke, will soon be packing his bags and joining Sir Leon. He knows his way around Brussels as he has been at Clarke's side during the endless Euromoney meetings.

Nevertheless, the appointment has ruffled feathers and Rogers' success will be measured by his ability to bring the best out of the more disgruntled of his new colleagues.

It will be interesting to see if Mrs Ritt Bjerregaard, the Danish commissioner whose unofficial, *unpublished diaries on life in Brussels* made gripping reading, makes as brave an appointment to the new vacancy in her cabinet. John Iversen, her embattled press spokesman, has decided that returning to Strasbourg as a Danish MEP, is a much safer bet than defending his trouble-prone Danish commissioner for the environment.

Prospective candidates should know Mrs Bjerregaard prefers Danes, that knowledge of the environment might not be absolutely necessary, but that an ability to catch flak is essential.

Decisive moment

■ When European Union ministers hear the word culture they reach for their – scattergun.

Nine cities have been fighting for the title of European Culture Capital in the year 2000. So how *do* you weigh the relative merits of Avignon, Bergen, *Bologna,* Brussels, Krakow, Helsinki, Prague, Reykjavik and Santiago de Compostela? Spanish culture minister Carmen Alborch Bataller acknowledged it was a tricky one. So he and fellow ministers decided to approve all nine. A useful technique that might be borne in mind by his financial colleagues if they reach a real impasse in the single currency talks?

Deutsche dust

■ So the dust has yet to settle at Deutsche Morgan Grenfell. As the German bank integrates its investment banking activities, it is losing some high profile people on the way. Last week, corporate finance head Guy Dawson packed his bags for Merrill Lynch. Now Deutsche Bank's head of equity research, 47-year-old Thomas Neisse, is off.

Deutsche was unhelpfully reticent yesterday concerning the destination of its latest departure, and the normally outspoken Neisse was also keeping his counsel. It transpires bowever that Neisse is taking a top asset management job at Bayerische Vereinsbank.

Once upon a time, the Munich bank would not have held much allure for the big boys at Deutsche. But Vereinsbank is growing fast and is immersed in talks to buy US investment banking group Oppenheimer. Things are changing too at the once deeply hierarchical *Deutsche. Neisse's replacement is* Hans-Dieter Klein, a top equity strategist at DB Research. He is a mere 33 years old.

Check it out

■ The Barclay brothers may have successfully fulfilled a 30-year dream in acquiring the Ritz Hotel. But their almost obsessive reclusiveness sits a bit oddly with all that glad-handing necessary to sustain such a grand old *institution.* What they need is a well-connected chairman for their new £75m pad.

As it happens, the very man is more or less on their doorstep – in the offices of Chime, Sir Tim Bell's holding company in which the Barclays hold a stake. Giles Shepard has been taking refuge there since he stood down from the managing directorship of the Savoy last year.

Shepard, who was a director of the Dorchester in the mid 1970s before joining the Savoy, is thought to be missing the pleasures of luxury hotel life. The impeccably connected old Etonian would make an ideal front man.

With his encyclopaedic knowledge of wine, Shepard would pay some overdue attention to the Ritz's cellar. And he would need no introduction to Tom O'Connell, the new general manager, a wry Irishman who used to be food and beverage manager at the Savoy.

Casting his net

■ Whatever happened to Jacques Attali since he was left office as president of the European Bank for Reconstruction and Development? Attali, 52, who used to be President François Mitterrand's closest adviser, has been keeping his head down. But he's resurfaced in an article on the Internet for the December issue of Prospect, a UK monthly magazine, wherein be chooses to describe himself as "a writer living in Paris".

Of course, readers of Le Monde will have already supped at this table. For Prospect's article bears a striking resemblance to a piece Attali penned earlier in the month for that publication. The only difference is that in Le Monde he was billed as a former special counsellor to President Mitterrand, former president of the EBRD, and member of the Conseil d'Etat.

The Financial Times

50 years ago

Washington: Why Worry?
For several weeks now we have been boping for news of an Anglo-American financial agreement, but a succession of difficulties has arisen to prevent a completely satisfactory solntion. There can be no doubt that a breakdown in these negotiations would be regarded as a major disaster in Whitehall. Yet the general public appears largely indifferent. There is a tendency to argue that if the Americans are not prepared to grant us a loan we shall get along somehow, so why worry?

To answer this raises some fundamental questions – including the relative advantages of bilateral and multilateral trading and the possible political as well as economic consequences of a trade war with the United States. There can be no doubt, as Lord Keynes has acknowledged, that a solution of sorts would be to do the best we could with the resources still at our command and aim at emerging from our difficulties with as little outside aid as possible.

Can we expect the sterling area to grant us all the credit we shall need in the next few years? We shall undoubtedly have to buy some things from foreign countries to prevent too drastic a fall in our standard of living.

FINANCIAL TIMES
Wednesday November 22 1995

Royal fans across the globe tune in to Diana

Frank BBC interview attracts record audiences, write Kevin Brown and Raymond Snoddy

In Australia, a country which loves its soap operas, it was the most watched programme in its television history. In the Netherlands, more than half a million people tuned in.

The frank interview given by the Princess of Wales to the British Broadcasting Corporation on Monday was compulsive viewing for royal watchers across tha globe.

But the interview, in which the princess admitted committing adultery with s former cavalry officer and said she did not expect to become queen, caused consternation in the UK's royal household and among British MPs. Conservatives said it was likely to increase pressure for the royal couple to clarify their constitutional position by divorcing.

Many MPs appeared sympathetic to the Princess's predicament, reflecting overwhelming public sympathy. But most said the open divisions between Prince Charles and his wife could not be allowed to continue indefinitely.

As the interview continued to appear on millions of television screens around the world, Princess Diana remained out of sight in Kensington Palace. Prince Charles, on a visit to Newlyn, Cornwall, ignored questions about the programme.

Buckingham Palace sought to calm suggestions of a constitutional crisis by offering talks with Princess Diana to help define ber future role.

A conciliatory statement, issued on behalf of the Queen, the Duke of Edinburgh and the Prince of Wales, was said by officials to reflect the royal family's generous, constructive and helpful approach to the princess.

Prince Charles boards a trawler to the south west English town of Newlyn yesterday

Mr John Major, the Prime Minister, also sought to defuse the impact of the broadcast, in which the Princess also cast doubt on the Prince's suitability to become king, and spoke of the royal bousehold as her "enemy".

A senior official said Mr Major had not seen the interview, although be was expected to have discussed it with the Queen during his weekly audience at Buckingham Palace last night.

The official said Princess Diana's constitutional right to become Queen consort had not changed since the couple separated three years ago. He said Mr Major expected the princess's "useful" overseas tours to continue.

Mr Nicholas Soames, the armed forces minister and long-standing friend of Prince Charles, was criticised hy MPs for accusing Princess Diana of "paranoia," and insisting that the prince was "thoroughly prepared" to become king.

The Australian Broadcasting Corporation, which bought the one-bour programme from tha BBC for a bargain A$75,000 ($55,000) under their long-term links, repeated the entire interview in peak evening viewing time last night. Only the Royal couple's wedding in 1981 drew anywhere near the same interest among Australian viewers.

In Holland – like the UK, another monarchy – tallies from the Dutch broadcasting organisation showed that 520,000 switched to the BBC to watch the hour-long programme, the Dutch ANP news agency said.

Power demand surges as Diana show goes live, Page 11
Observer, Page 17

Leader of Chinese dissident movement faces trial

By Tony Walker in Beijing

China announced yesterday that its leading dissident would he tried on charges carrying the death penalty, in s move which seems certain to affect fragile Sino-US relations.

The official Xinhua naws agency said Mr Wei Jingsheng had been arrested for "engaging in activities in an attempt to overthrow tha Chinese government". He had been charged after an investigation hy Beijing's municipal public security departments.

In Beijing, a US official said: "This certainly will not be helpful." Sino-US relations have been rocked this year by arguments over Taiwan and other issues, but had improved after a meeting in New York last month between the leaders of the two countries.

The 44-year-old Mr Wei, who is regarded as the father of China's dissident movement, was previously sentenced to 15 years' jail in 1979 on similar charges. He was released on parole in 1993, but was detained 20 months ago and had been held incommunicado aver since.

The timing of China's decision to press charges against Mr Wei is certain to be regarded as cynical, since it comes just days after a summit in Japan of the Asia Pacific Economic Co-operation forum, which was attended by Chinese President Jiang Zemin.

It also follows Mr Jiang's visit to New York in October to address the United Nations 50th anniversary celebrations. His meeting with President Bill Clinton coincided with those events.

The official Xinhua report said a police inquiry showed "Wei had conducted activities in an attempt to overthrow the government after his release on parole. His actions were in violation of the criminal law and constituted crimes".

At the least, Mr Wei faces another long jail sentence and his case will almost certainly become something of an international human rights cause célèbre. Human rights activists in the US and their supporters in Congress can be expected to be especially vocal on the issue.

Mr Wei first came to world notice in 1979 as one of the leaders of the "democracy wall movement" in China in which dissidents openly displayed their views in posters on the wall of a bus station in Beijing. He had forcefully advocated democracy for China, describing it as the "fifth modernisation" and had openly criticised Mr Deng Xiaoping, the paramount leader.

Mr Deng had recently unveiled the four modernisations programme which had focused on industrial, scientific, agricultural and military advances.

During his parole last year Mr Wei did not hesitate to criticise China's human rights behaviour.

THE LEX COLUMN

Young & Ross-less

Cable and Wireless has recently looked more like Britain's royal family than a serious corporation. Like the Princess of Wales, Mr James Ross, chief executive, promised not to go quietly. Fortunately, unlike the royal family's squabble, C&W's dispute has taken less than a week to resolve.

While the shenanigans have been messy, shareholders should he pleased at the outcome. The power struggle at the top of C&W has prevented the group from steering a clear course. Though Lord Young, executive chairman until yesterday, and Mr Ross have their qualities, both are to blame in differing ways for the group's confused strategy and poor management. A clean sweep will allow a fresh start – which would not have been possible if either had stayed in his post.

The non-executive directors dithered about which of the warring parties to back, but in the end have come up with tha right solution. They also will not repeat the mistake of entrusting ths company to an executive chairman and a chief executive. Other companies should note that, while the principle of splitting the roles of chairman and chief executive is sound, ths chairman in general should be non-executive.

Whoever is recruited as the next chief executive – and it should be an outsider – will need to review both strategy and management. The ill-conceived "federation" strategy should be jettisoned. Instead, the new leader should weld C&W's worldwids operations into a single entity. That would boost its share price, since C&W is currently viewed more as an investment trust trading at a big discount to the sum of its parts than an integrated company. If the new management were willing to contemplate surrendering C&W's independence, the upside would be even greater. The group encompasses a unique spread of assets which would be appealing to many international telecoms groups.

Credito Italiano

Examples of big Italian companies selling investors' interests short keep on mounting. In the latest case, Credito Italiano (Credit) has devised a poison pill which looks like a naked attempt to protect the bank from takeover. The pill is contained in a shareholder pact with Carimonte, a banking foundation which helped Credit in this year's L3,770bn ($2.26bn) takeover of Credito Romagnolo (Rolo). It specifies that if Credit is itself acquired, Carimonte will have the right to buy Credit's stake in Rolo for an undisclosed sum.

With Credit's stock languishing at around 70 per cent of net asset value, the bank previously looked vulnerable to a takeover. Even the fact that allies of Mediobanca, the Milanese merchant bank, in effect control the group might have given little protection, since their total shareholding is fairly small. But the poison pill now makes it unlikely that anybody would hid since Rolo is Credit's most attractive asset; a potential bidder would worry that Carimonte might buy the stake at a knock-down price. Credit's shareholders are being robbed of tha chance of receiving a premium for their shares.

This sorry tale reflects poorly not only on Credit'a management but on Italian stock market regulations, which do not ban such poison pills or require prior shareholder approval. Consob, the stock market authority, has not even forced Credit to reveal the terms under which Carimonte would have the right to huy the Rolo stake. That is the least it should do.

Vodafone

The sharp drop in Vodafone's share price yesterday, despite a 12 per cent year-on-year increase in earnings, suggests US investors have lost some of their enthusiasm for the stock. It is a timely reminder that Vodafone is a high-risk investment.

Although the results themselves were respectable, Vodafone makes no bones of the fact that demand growth in the UK market, from which it still makes more than 100 per cent of its profits, is slowing. It is far from certain that this Christmas is going to be as good as tha last. And almost all Vodafone's new UK customers are individuals – bad news because they cost as much as businesses to attract, but tend to use their telephones much less. It is not surprising that revenues per subscriber are down. Moreover, the full effects of competition have yet to be felt. Tariffs, for instance, have not yet been seriously cut.

The shares have fallen recently but are still on a forward price/earnings multiple of 26 – a huge premium to the market. Some of that is justified by growth prospects overseas. But the shares still look far from cheap.

National Grid

The grey market in National Grid ahares, which opens today, offers investors a chance to buy, at £2.20 or more, shares which few think are worth much more than £2. This is not quite as silly as it sounds: the Grid will join the FT-SE 100 index, so tracking funds need to buy heavily and this will push up the price – but only in the very short run. Apart from anything else, 60 per cent of the company's shares have to be released within a year: if the price remains high, these will be sold quickly. Long-term investors should probably wait until the initial excitement is over before buying.

Bnt the prospects thereafter are good. The market thinks the shares should be valued at a 40-50 per cent yield premium, in lins with wster stocks. This comparison makes ths Grid look cheap. Long-term dividend prospects in the water sector – whose investment programme will consume a lot more cash and where regulatory risks are greater – look distinctly worse. It sbould givs pause for thought thet valuing the Grid on a discounted cash flow basis produces a price nearer £2.50 than £2.

The snag is that the Grid is unlikely to shine for some time. The immediate outlook is dominated by next year's regulatory review. This is not expected to be punitive, but does mean the company has little incentive to pursue ostentatious cost-cutting, further gearing up or writing back some of its generous provisions until the review is over. Nor is Energis, its loss-making fibre-optic network, likely to come good quickly. Investors will have to be patient.

Additional Lex comment on De La Rue on Page 22

Dasa faces action over plan to sack 9,000

Continued from Page 1

over DM1.5bn ($1.07bn), which resulted largely from exchange rate loss provision for Dasa.

Over the last six weeks, Dasa workers have staged demonstrations in several German cities, culminating in a one-day walk-out on Monday.

Senior politicians from the Social Democratic party (SPD) have publicly pledged to fight for jobs at the company. At last week's SPD party conference in Mannheim, Dasa workers staged a heavily publicised protest. Mr Alfred Tacke, state secretary at the economics ministry in SPD-controlled Lower Saxony, said Dasa's decision had met "great bewilderment". He predicted a "long-lasting dispute" unless Dasa agreed to compromise.

Under German labour laws, yesterday's formal decision will be followed by extensive consultations between Dasa's management and works councils. However, the company has made it clear that it will not compromise on its plans for annual savings of DM700m. As a result, the margin for compromise is small. Wage restraint and more flexible working hours could reduce the impact, but short and flexibla working hours are already common practice in Dasa factories, leaving little headroom for productivity gains under present staffing levels.

The annual cost savings of DM700m would allow ths company to hit the target imposed by Daimler-Benz of a 12 per cent return on equity st an assumed dollar rate of DM1.35.

Russia

Continued from Page 1

bas simply failed to pay bundreds of defence contractors.

But, wbile the government's tight-fisted messures have belped stabilise tbe exchange rate of the rouble and brought inflation down to its lowest levels since the collaspe of tha Soviet Union, the painful side-effects of austerity could burt the cnrrent administration when voters go to the polls in parliamentary elections scheduled for December 17.

MPs back 'cold calling' ban

Continued from Page 1

amendments, leading to a process of conciliation between the two institutions in an attempt to reach a compromise. However, negotiations could be complicated by splits between the member states. At one extreme, Germany and Luxembourg outlaw cold calling and at the other end sellers in the UK operate under a very liberal regime. In between are countries such as Denmark, where cold calling is banned for some products, and France, where sellers are free to telephone consumers and discuss a sale but cannot exchange s contract over the phone. Fedim, the European-wide direct marketing association, estimates that 1.5m full-time workers are employed in the industry in the EU and many more part-timers.

It warned that inclusion of e-mail in the proposed legislation would damage the development of the information superhighway. It is particularly worried about the effect of the ban on small and medium sized companies which use telemarketing to break into new markets.

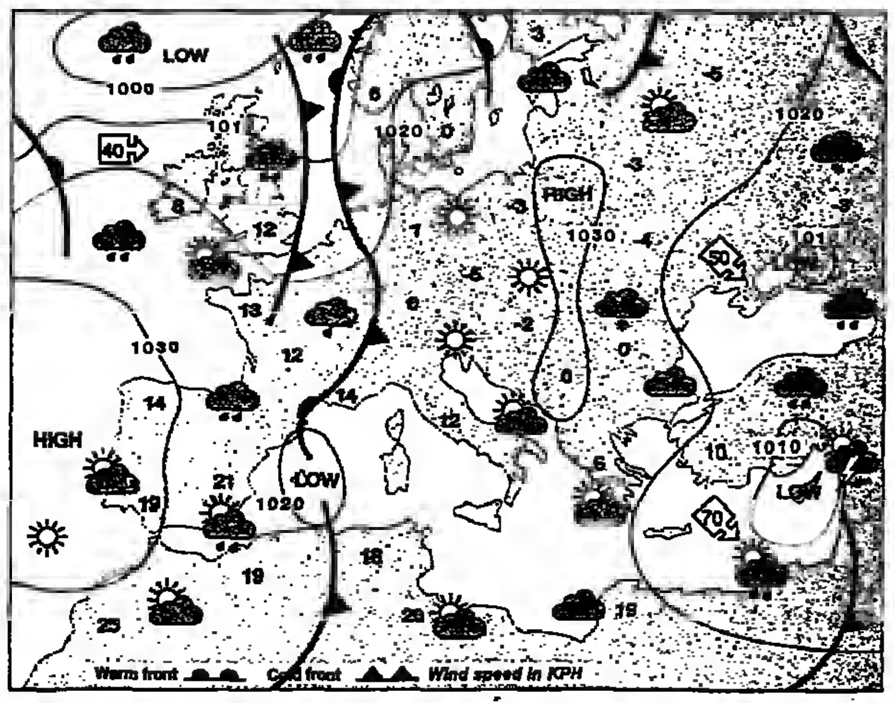
FT WEATHER GUIDE

Europe today

The British Isles will be sunny. Northern Ireland and Scotland will have showers. The Iberian peninsula will be dry. The south will have plenty of sunshine, while the north will be cloudy with rain along the Costa Verde. France and the Benelux will be cloudy with occasional showers. Sunny conditions will prevail in Germany, the Alps and eastern Europe, where temperatures will reach freezing. Patchy fog is expected in Russia. A depression in the Black Sea region will bring snow to the eastern Carpathians and heavy rain along Turkey's north coast.

Five-day forecast

Russia, the Ukraine and the Balkans will continue dry and calm over the next couple of days. The Mediterranean will become unsettled with occasional rain and thunder. It will be dry and sunny on the Iberian peninsula until Saturday, when an Atlantic low pressure system will move into the Bay of Biscay. Ths low will result in occasional rain and strong winds in the British Isles, the Benelux and south-west Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	30
Accra	shower	31
Algiers	sun	22
Amsterdam	fair	6
Athens	rain	9
Atlanta	sun	17
B. Aires	fair	22
B.ham	shower	12
Bangkok	fair	31
Barcelona	fair	17
Beijing	sun	14
Belfast	shower	12
Belgrade	snow	0
Berlin	sun	0
Bermuda	fair	21
Bogota	shower	20
Bombay	sun	34
Brussels	fair	8
Budapest	sun	2
C.hagen	sun	2
Cairo	shower	21
Cape Town	shower	28
Caracas	fair	31
Cardiff	rain	13
Casablanca	sun	23
Chicago	snow	0
Cologne	fair	7
Dakar	sun	32
Dallas	sun	22
Delhi	sun	27
Dubai	sun	32
Dublin	shower	13
Dubrovnik	fair	6
Edinburgh	shower	11
Faro	fair	22
Frankfurt	fair	2
Geneva	cloudy	6
Gibraltar	sun	21
Glasgow	rain	11
Hamburg	sun	1
Helsinki	cloudy	1
Hong Kong	fair	26
Honolulu	fair	27
Istanbul	rain	7
Jakarta	shower	30
Jersey	shower	15
Karachi	sun	31
Kuwait	sun	31
L. Angeles	sun	22
Las Palmas	sun	26
Lima	cloudy	22
Lisbon	fair	16
London	shower	12
Lux.bourg	fair	3
Lyon	fair	11
Madeira	fair	21
Madrid	sun	16
Majorca	sun	20
Malta	sun	15
Manchester	shower	12
Manila	shower	31
Melbourne	fair	24
Mexico City	fair	18
Miami	fair	27
Milan	sun	9
Montreal	snow	3
Moscow	fog	-6
Munich	sun	-1
Nairobi	thund	26
Naples	sun	10
Nassau	fair	27
New York	fair	11
Nice	cloudy	14
Nicosia	shower	17
Oslo	cloudy	-1
Paris	fair	11
Perth	fair	31
Prague	sun	-3
Rangoon	fair	32
Reykjavik	rain	5
Rio	cloudy	26
Rome	sun	12
S. Frsco	fair	17
Seoul	sun	9
Singapore	thund	31
Stockholm	fair	-1
Strasbourg	fair	3
Sydney	shower	19
Tangier	sun	23
Tel Aviv	fair	21
Tokyo	fair	14
Toronto	snow	3
Vancouver	rain	10
Venice	fair	7
Vienna	sun	0
Warsaw	fair	-1
Washington	fair	12
Wellington	fair	14
Winnipeg	fair	-6
Zurich	sun	1

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FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday November 22 1995

IN BRIEF

AssiDomän loses Czech paper fight

Stratton, the US investment company, inflicted a heavy defeat oo AssiDomän, the Swedish forest products group, when it secured control of the management board of Sepap, the Czech paper producer at the centre of the Czech Republic's first big corporate takeover battle. Page 18

KNP rules out more packaging sell-offs
KNP BT, the Dutch paper and packaging group, *said it* had *no plans* to carry out further divestments in packaging. Page 18

Wella downbeat after 22% decline
Wella, the German haircare and cosmetics group, remains pessimistic about its immediate financial prospects, according to its nine-month earnings report. The company said annual pre-tax profits had fallen by 22.1 per cent to DM88m ($63.3m). Page 18

Business and government sales lift Dell
Dell Computer, the US personal computer manufacturer, reported an 82 per cent jump in net income for its third fiscal quarter. The company said sales to businesses and government agencies had accounted for 90 per cent of revenues. Page 19

Coles Myer break-up 'on board's agenda'
Coles Myer, the large Australian retailer, told shareholders it was pursuing a break-up proposal. Mr Nobby Clark, chairman, said: "A review of the restructuring option remains firmly on the board's agenda." Page 20

IDBI 30% ahead at halfway stage
The Industrial Development Bank of India, the country's biggest state financial institution, reported a 30.1 per cent rise in pre-tax profit, inclusive of capital gains, to Rs6.53bn ($187m) for the first half to September 30. Page 20

Thorn EMI demerger plan due next autumn
Sir Colin Southgate, chairman of Thorn EMI, confirmed that plans to demerge the UK group'a music and rental interests were on schedule and that he expected to announce formal demerger proposals next autumn. Page 22

Gold diggers follow the termite trail
Termites provided vital clues in the discovery of a potentially substantial gold deposit in the west African republic of Niger. The insects burrow and carry back to the surface traces of gold or other minerals. Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Reg	835	+	50
Falls			
BASF	313.6	–	4.4
Linotype	156	–	4.5
Rheinmetall Pf	158	–	4
SAP AG	230.5	–	7.5
Zanders Feinpp	155	–	6
NEW YORK ($)			
Rises			
Boston Beer	29½	+	9½
Meadowbrook	24⅛	+	3⅛
PHP Healthcare	20⅜	+	5⅝
Falls			
LSI Logic	40⅞	–	2⅞
Reebok Intl	29	–	2¼
Vodafone	36⅞	–	2⅛
LONDON (Pence)			
Rises			
Pace	705	+	39
Falls			
Amber Ind	210	–	35
De la Rue	718	–	182
Fitzpat Trading	28	–	9
MAID	268	–	36
Metsec	96	–	26
TORONTO (C$)			
Rises			
Alphanet Tel	17¼	+	2¼
G Zar Inc	8½	+	1½
Trask	4	+	1.04
Falls			
Dominion S	18¼	–	1⅛
Dreco Energy A	18¾	–	1⅛
Loewen	34½	–	4⅛
PARIS (FFr)			
Rises			
Imm France	278	+	10
Falls			
Club Med	411	–	13.5
Credit Local	396	–	7.1
Havas	382.9	–	11.3
SGS-Thomson	185.8	–	12.7
Synthelabo	286.1	–	9.3
TOKYO (Yen)			
Rises			
Kanematsu	383	+	24
Nissin Elec	727	+	47
Showa Sangyo	465	+	47
Tokyu Land	414	+	24
Falls			
Kurita Water	2690	–	180
Takaoka Elec	690	–	38
HONG KONG (HK$)			
Rises			
Chi Mer Hothong	1.8	+	0.1
Lucky Man Prop	4.9	+	0.2
Orif	4.2	+	0.175
SAS Dragon	5.45	+	0.3
Falls			
Goldlion	4.675	–	0.375
Peregrine Inv	9.3	–	0.45
BANGKOK (Baht)			
Rises			
LPN Dev	58.5	+	5
Sopakul Pub	62	+	5.5
Sopel-W	36	+	6
Thai Fish	70	+	6
Thoresen Thai	57	+	6
Falls			
Int Cosmetics	232	–	198

New York and Toronto prices at 12.30.

Chairman and chief executive leave 'with immediate effect' as crisis talks fail

C&W loses top men after bitter power struggle

By Alan Cane and Peggy Hollinger in London

Lord Young of Graffham, chairman of Cable and Wireless since 1991, and Mr James Ross, its chief executive, left the company yesterday after two days of crisis talks failed to resolve a rancorous power struggle between the two men.

The gronp'a non-executive directors, led by Mr Winfried Bischoff, chairman of Schroders, the merchant bank, spent Monday and most of yesterday in talks to find a compromise.

Yesterday afternoon, however, the two men were asked to leave the company "with immediate effect". C&W refused to say if they had been asked to resign or had been fired. It is understood they will be entitled to their contractual rights. Mr Ross, with total remuneration last year of £391,275, has a one-year rolling contract; Lord Young, who earned £479,247, has no formal contract, C&W said.

Dr Brian Smith, chairman of the British Airports Authority and a non-executive director of C&W until June 1995, has been appointed non-executive chairman. A board committee under his chairmanship will be formed to select a new chief executive "as soon as possible".

Lord Young said he was sad to leave but believed it was in the best interests of the company "in the present circumstances". Mr Ross said he was disappointed to be leaving at an important stage in its evolution.

Rumours of a breakdown in the relationship between Lord Young and his chief executive had been rife for some months. Analysts complained of a lack of focus in C&W's strategy.

The bitterness between the two men surfaced last week after Lord Young announced he intended to retire on his 65th birthday in 15 months. It emerged that Mr Ross had rejected a proposal from the non-executive directors that he retire early in 1997 so that a new chief executive could be brought in. Deep disagreements among the non-executive directors over how to proceed led to the meetings on Monday and yesterday.

Mr Rod Olsen, chief financial officer and an executive member of the board, said: "This has been a damaging dispute cooceming personalities rather than policies."

Editorial Commeot, Page 15; Lex, Page 16; Profile and Entering Japan, Page 22

Brendan Corr
End of the line: Lord Young, C&W chairman, leaving the offices of Schroders in London yesterday

Goldman overhauls management structure

By Richard Waters in New York

Goldman Sachs has carried out the first overhaul of its management structure in 25 years, signalling a response by Wall Street's last big private partnership to one of the most turbulent periods in its history.

The changes will leave Goldman with an organisation that looks more like a corporation, and will put greater power in the hands of a small management group led by Mr Jon Corzine, who became chairman at the *beginning of this year.*

Goldman executives said the changes were not part of a plan to turn the *US* investment *bank* into a public company.

One person close to the overhanl said that the question of whether the bank should remain a partnership has been studied "on its own track", and that the bank was "always evaluating [its] capital structure". He said the latest management changes were to make the bank function better as a partnership.

The changes come a year after Goldman was hit by a slump in profits *and a* wave of early retirements. This threatened to put pressure on its capital base, *rekindling* questions abont whether the bank would seek a stock market listing.

While that possibility remains, the immediate pressure has been lifted by a rebound in earnings this year. Like other big Wall Street firms, Goldman has responded to last year's bond market rout by cutting the market risks it takes, which has reduced its need for capital.

Under the latest management changes, unveiled to partners on *Monday*, the bank's executive committee will be cut to six people. It had 12 members a year ago, *before* retirements cut the number temporarily to eight.

Mr Corzine also handed much of the day-to-day responsibility to a new 19-person operating committee. The move is a response to the growth of the bank into new countries and businesses, which have put e strain on its management structure, according to one executive.

Goldman has also set up a committee to represent its partners. This committee, also with *19 members, will consider the* size and make-up of the partnership, as well as the best capital structure for the firm.

Besides Mr Corzine, the executive committee members will be Mr Henry Paulson, vice-chairman; Mr Roy Zuckerberg and Mr David Silfen, co-heads of the equity departmeot; Mr Robert *Hurst*, co-head of investment banking; and Mr John Thain, chief financial officer.

Mr Mike Overlock, the second co-head of investment banking, will step down from the committee, along with Mr Robert Katz, the firm's general counsel.

De La Rue shares slide on profits warning

By Christopher Price in London

Shares in De La Rue fell more than one fifth yesterday after the UK banknote and specialist printing group warned that full-year profits would fall below last year.

The warning came as the group reported *half-year pre-tax profits of* £69.1m ($109m), a 5 per cent decline on last year's £72.8m. This was about £6m below market expectations, already lowered by a profits warning in March and cautious remarks at the annual meeting in July. Turnover for the six months to September 30 rose 7 per cent to £347m.

Analysts cut their forecasts for the full year from about £170m to £140m. The shares closed 165p lower at 735p.

Mr Jeremy Marshall, chief executive, denied the decline was part of a macroeconomic trend. "This is the culmination of a number of things coming to a head and is *particular to this company. But the fundamentals* of the business are sound."

All three De La Rue divisions suffered a fall in operating profits during tha first half. The security paper and print business suffered a decline in sales – from £105m to £91m – and a fall in prices. Profits retreated from £31m to £21.6m. Mr Marshall said the *company'a previous record* sales growth was settling to a more realistic level.

The Portals specialist printing business, which De La Rue bought for £682m in December last year, contributed £10.3m of operating profits.

Profits from the payment systems subsidiary fell 25 per cent to £12.3m. The company said consolidation in the US banking industry had led to a fall in orders, there had also been an increase in costs for shifting its US production units. Competitive pressures continued to depress Garny, the German payments systems business.

Camelot, operator of the National *Lottery* in the UK, in which De La Rue holds a 22.5 per cent stake, earned the group £8.1m. However, profits from Giori, the group's Swiss-based banknote printing equipment associate, fell from £13.7m to £3.9m oo weaker orders, compared with *record sales last year.*

Mr Marshall said investments being made in all areas of the business would bring some recovery in 1996.

Earnings per share fell 17 per cent to 23p. The interim dividend was raised 3 per cent to 7.25p.

Lex, Page 22; Camelot results, Page 22

Dow buys chunk of Argentine ethylene

By David Pilling in Buenos Aires

A consortium led by Dow Chemical of the US has secured control of a proportion of Argentina's ethylene and PVC production through the $357.5m purchase of government stakes in two chemical companies.

Dow, together with YPF, the Argentine hydrocarbons group, and Itochu of Japan, beat off a local consortium to acquire 51 per ceot of Petroquimica Bahia Blanca (PBB) and 38.18 per cent of Indupa. PBB owns 12.9 of Indupa, giving the winning consortium indirect control of both companies.

Indupa is the country's largest producer of PVC with annual sales of $250m. However, it faces eovironmeotal clean-up costs, mostly at its Cinco Saltas site, and a backlog of maintenance investment.

The more attractive catch for Dow, which has a stake of about 70 per cent stake in the consortium, is the ethylene producer, PBB.

Dow has beeo keeo to gain a foothold in ethylene production in the region in order to supply its polyethylene plants in Chile and Brazil.

With annoal sales of $150m, PBB produces 245,000 tonnes of ethyleoe a year, accounting for 81 per ceot of the Argentine market. Dow plans to double this capacity, at a cost of between $300m and $400m.

The expansion will require YPF to go ahead with the construction of a gas separation plant for the production of ethane, needed to manufacture ethylene. The YPF plant, which would be built at its Patagonian gas fields in Neuquén, would cost around $300m.

Mr Cedric Bridger, YPF vice-president of finance and corporate development, confirmed that winning the privatisation "gives us the possibility of building a mega-project in Neuquén" which would enable the company to "add value to YPF gas". The *group is Argentina's* biggest gas producer.

The Dow offer came ahead of the only other offer, $306.1m from a consortium of Perez Companc, the Argentine energy-based group, and Copesul of Brazil. The *cash-strapped Argentine government* had only expected to raise $250m-$300m from the privatisation. Earlier this month, YPF bought a 10.62 per cent stake in PBB from Imperial Chemicals Industries of the UK for $16m.

DSM purchase, Page 18

Barry Riley

The emerging markets fail to stick to the script

After the disappointments in emerging markets in 1995 will the promisad boom at last materialisa in 1996? Hope and hypa spring eternally.

The emerging markets investment industry which grew fat on the last boom in 1993 has been cooling its heels ever since. This year was supposed to display recovery *potential* after the problems of 1994. But gallingly, the developed markets have stolen tha show, especially that most mature, ex-growth and supposedly played-out of them all, Wall Street.

During the early summer it seemed that the emerging markets were recovering their poise but recently many of them have floppad out again. Although global liquidity measures show a clear upturn in tha past six *months or so* the money is evidently not flowing to the emerging markets but is becoming trapped in the US: thus the IFC Composite Index of emerging markets is at a new low, off 20 per cent for the year so far. Meanwhile, the *FT/S&P World* Index, mostly reflecting developed markets, is up 13 per cent (in dollars).

Yet the underlying economic growth story still holds good in Asia, where many economies have been *continuing to* expand at about 8 per cent. Latin America is a rather different story, with Mexico, Argentina and Brazil all going through the economic mangle this year. There will be little growth in 1995 in Latin America as a whole.

But the big problem is that American investors have been distracted. Last winter's Mexican crisis in any case destroyed many investors' confidence in the emerging markets story. That problem has re-emerged in recent weeks, with the Mexican index *(in dollars) off nearly 30 per cent* in two months.

Arguably, Latin America and emerging Asia were really always completely different stories, and should not have been muddled up in the promotion of global emerging markets as a distinct asset class.

The British have been the first to join the new party but are worried about when the fun will start

Now the Americans have become distracted by their domestic boom in emerging growth and technology. In nearly 11 months the Nasdaq Index has achieved 70 per cent gain relative to the *IFC Composite Index.*

In the first half of the year US investors put about $1.5bn into equities in Hong Kong but only the same into the rest of Asia (outside Japan) put together. And by the second quarter Americans were *net sellers of Latin American stocks.*

Of the other global investors the Japanese have been licking their wounds at home while the UK institutions are fully committed. The British, in fact, have been the *first* to join the new party but are getting worried about when the fun will start. The November Gallup survey of UK institutional opinion, now published by Marrill Lynch, shows Pacific Basin enthusiasm still rising, with Hong Kong by far the most popular market.

Figures from WM, the performance measurement consultants, for UK pension funds suggest they may have piled nearly $3bn into Pacific (ex Japan) markets in the third quarter, and they have a bigger exposure to this region (nearly 5 per cent of their total portfolios) than to either the US or Japan.

The latest love affair with Hong Kong may reflect its reputation as a leveraged play on Wall Street, so that British fund managers now hope that they can pull back their losses from underweighting US equities. But the big question is whether the old rules apply as Hong Kong approaches Chinese rule, now little more than 18 months away. Hong Kong's altered political status must affect the stock market's future behaviour.

Hong Kong has done reasonably well in 1995 and although it has weakened since September the market is about 10 per cent up on the year. The broader picture of the Pacific Basin is indicated by the 18 per cent decline in the IFC's Asian Index.

The main bullish argument for the emerging markets is that they can be seen as an end-cycle game, as in 1993, when they raced up towards the year-end. This time, profits taken in US equities might be recycled into emerging markets. But the lesson to be drawn from the uneven pattern is that the markets will have to be chosen with great care, not to say good fortune.

EUROPEAN NEWS DIGEST

Swedish bank ahead at nine-month stage

Svenska Handelsbanken, one of Sweden's leading commercial banks, reported a 17 per cent increase in profits at nine months to SKr3.7bn ($563m). The performance showed the group continuing to build on its strong position in the Swedish market, as it benefited from increased market share, higher net interest income and reduced credit losses. It also gained from its expansion into other Nordic countries.

Credit losses fell 18 per cent to SKr1.76bn as the impact of Sweden's loan-loss crisis at the start of the decade further receded. Handelsbanken also managed to increase net interest income by 8 per cent to SKr7.2bn, despite intense competition and narrower margins in the Swedish banking market. The bank's lending activity has risen sharply this year in the face of depressed demand.

The group, which this year acquired the healthy parts of Finland's Skopbank, said its Finnish activities contributed SKr130m to nine-month profit. But the expansion helped to raise group costs 11 per cent to SKr4.58bn. The bank said it was considering a demerger of Näckebro, the unit grouping the real estate activities taken over during Sweden's banking crisis. *Christopher Brown-Humes, Stockholm*

Lazard Frères to advise on MGM

Lazard Frères, the Paris-based investment bank, yesterday won the contract as adviser for the restructuring and sale of MGM, the film studio acquired by Crédit Lyonnais, the French state-owned banking group, in 1992. The mandate was awarded by Consortium des Réalisations, the company set up by the state as part of the rescue package for the French bank. Lazard, whose parent company is 50 per cent-owned by Pearson, publisher of the Financial Times, is expected to decide on the future of MGM in the first third of next year. It could involve a full sale, a merger, or splitting of the group into different units. *Andrew Jack, Paris*

Ruhrgas to raise Norway imports

Ruhrgas, Germany's largest gas distributor, will double its share of Norwegian gas imports after the completion of a stretch of gas pipeline across northern Germany. The 292 km pipeline is the culmination a DM3bn ($2.12bn) investment by Netra, a consortium of gas producers headed by Ruhrgas and including BEB Erdgas und Erdöl of Hanover, and Norway's Statoil. The investment, which involves building a 1,000-km pipeline, will link the southern, eastern and western parts of Germany to Norway.

Ruhrgas said the completion of the gas pipeline would enable it to increase its annual imports of Norwegian gas from the current 11bn cubic metres to 30bn cubic metres by 2005. At the same time, the Norwegian gas industry's share of Germany's total gas imports would rise from 15 per cent to 30 per cent over the same period. *Judy Dempsey, Berlin*

Police raid Turin companies

Italian police yesterday took documents from three Turin-based companies – including IFI, the main holding company of the Agnellis, Fiat's founding family – as part of Milan magistrates' investigation of financial irregularities at Gemina, the Italian investment company, and its subsidiaries. Losses at Gemina are expected to reach L468bn ($293m) this year, partly because of bad debts in RCS Libri e Grandi Opere, the publishing subsidiary which sells lavish publications in instalments. The core of the company was the Fabbri publishing operation, bought in 1990 from IFI for L300bn.

IFI had offered to refund any differences between the original purchase price and RCS's subsequent valuation of Fabbri in the months after the transfer. But RCS made clear it was happy with what it had paid, and absolved the Agnelli company of any responsibility for future financial problems. When Mr Francesco Varcasia, Gemina's new chief executive, announced a clean-up of Gemina and RCS on Monday, he said he believed any losses arose after the acquisition of Fabbri from IFI. Milan magistrates have put directors and former directors of Gemina and RCS under investigation for alleged falsification of accounts. *Andrew Hill, Milan*

GM considers Saab involvement

Mr Richard Donnelly, president of General Motors Corp's GM Europe division, yesterday said a capital injection into Saab Automobile was a "possibility". Mr Donnelly told AFX News at a Swiss-American Chamber of Commerce function: "The point is that Saab has to return to become profitable in the long term and that a capital injection is one possibility." GM had already made important steps at improving Saab's profitability through cost reductions and sharing a basic automotive platform, he said. *AFX News, Zurich*

France Télécom in debt drive

France Télécom, the state-owned operator, is stepping up efforts to reduce debts in a move to strengthen its competitive position ahead of European telecoms liberalisation and possibly to prepare the way for an eventual sale of shares in the company. A board meeting tomorrow is expected to confirm that debts this year will fall by between FFr12bn and FFr17bn ($3.49bn), from FFr95bn at the end of last year, depending on the level of dividend payments to the state. The decrease, higher than forecast, is a result of lower investment costs, stronger cashflow and the fact that payment for a stake in Sprint of the US has been pushed back to 1996.

The French operator said its planning contract with the government for the period 1995-1998 called for a reduction in debts from FFr95bn to FFr45bn. The company said its aim was to reduce the ratio of financial charges to sales from about 5.6 per cent at the end of last year to the level of its main competitors – about 2 per cent. *John Ridding, Paris*

Linotype-Hell expects loss

Linotype-Hell, the German printing equipment maker, said it expected a loss this year of between DM40m and DM50m ($35.4m) before taking account of reserves for job-cuts. The business has failed to recover from a slow start to 1995. It also said about 300 jobs would be cut by the middle of next year from the 2,450-strong workforce. However, Linotype said it was striving for as close as possible to break-even next year. *Andrew Fisher, Frankfurt*

Citroën plans new model

Citroën, the French car manufacturer, yesterday announced that it is launching a new model, the Saxo, to reinforce the lower end of its range. The company, a division of the PSA Peugeot Citroën group, said the car would be launched in the French market at the end of February next year and in other European markets in March. The new model, which is part of a broader renewal of product lines at Peugeot Citroën, will be placed just above the AX in the Citroën range. *John Ridding*

Stratton takes full control of Sepap board

By Vincent Boland in Steti, Czech Republic and Christopher Brown-Humes in Stockholm

Stratton, the US investment company, yesterday inflicted a heavy defeat on AssiDomän, the Swedish forest products group, when it secured control of the entire management board of Sepap, the Czech paper producer at the centre of the Czech Republic's first big corporate takeover battle.

Sepap's seven-member management board was replaced at an extraordinary general meeting by five representatives of Harvard, the fund management company run by the Czech entrepreneur Mr Viktor Kozeny, acting with Stratton.

Attempts by AssiDomän, which owns 32 per cent of Sepap, to block the move and gain board representation were defeated. The Swedish company bought into Sepap during the summer to gain a foothold in eastern Europe. It had hoped to gain majority ownership by the end of the year.

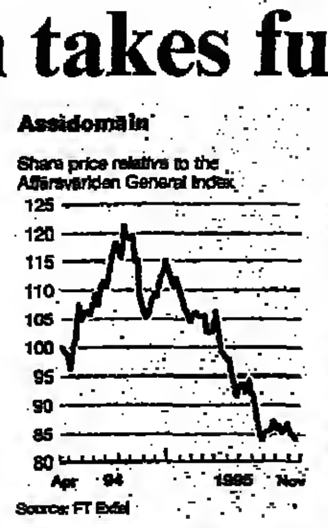
That strategy was interrupted last month when Stratton said it had acquired control of Sepap in alliance with Harvard. The US investor does not yet own a stake in Sepap but has an option to buy a block of shares from Harvard and is the architect of the Czech group's change of direction.

AssiDomän executives said after the meeting, held at Sepap's headquarters in the north Bohemian town of Steti, that it would remain as a shareholder despite the foiling of its plans.

"We are not thinking about selling," said Mr Ragnar Quarnström, managing director of AssiDomän's kraft products division. In Sweden, the group insisted it still intended to expand in eastern Europe.

Among those who lost their board seats was Mr Tomáš Sabatka, Sepap's chief executive. Stratton stressed that Mr Sabatka, who has overseen a substantial restructuring of the group, would stay in his post.

AssiDomän



Source: FT Extel

Defeated AssiDomän forecasts downturn in 1996

AssiDomän, the Swedish forestry group, yesterday added to the gloom in the pulp and paper sector by predicting lower use of capacity and a fall in prices next year, writes Christopher Brown-Humes in Stockholm.

The forecast came as the group revealed slightly lower-than-expected nine-month profits of SKr3.41bn ($519m), up 165 per cent from SKr1.28bn a year ago.

Mr Lennart Ahlgren, chief executive, said the latest attempt to lift softwood pulp prices to $1,000 a tonne had failed, and the price going into 1996 was likely to be about $900 a tonne.

"We are heading toward a downturn and capacity utilisation will fall from now on," he said. But he suggested prices would not fall dramatically and said that while prices for pulp and kraftliner would weaken, the market for cartonboard, sack and kraft papers remained strong. Assi's shares fell SKr2 to SKr149.5.

The improved nine-month figures reflected big price increases, higher deliveries and productivity gains. But the strong upward trend in the first half showed signs of easing in the third quarter, reflecting seasonal factors and slightly weaker markets. The group predicted better fourth-quarter figures, putting it on course for a full-year profit of about SKr4.5bn.

German groups join European online service

By Judy Dempsey in Berlin and Michael Lindemann in Bonn

Deutsche Telekom, Germany's state-owned telecommunications network, and Axel Springer, the German media and publishing group, are to buy stakes in America Online/Bertelsmann, which plans to launch a European online information service.

America Online (AOL), the fastest growing online service in the US, and Bertelsmann, Germany's largest publishing and entertainments group, formed a joint venture last March to launch its online services in Germany later this year.

The move highlights the continuing jostling for position among the main online services and electronic publishers in Europe and the US as interest in commercial online services and the Internet grows.

It follows a decision last month by Mr Jürgen Richter, chairman of Springer, to pull out of Europe Online, a rival Luxembourg-based online service founded by Burda, the German publishers.

Deutsche Telekom's decision to join AOL/Bertelsmann by acquiring a substantial stake, is part of its long-term strategy to compete with Microsoft, the US packaged software group, and Compuserve, the US online service pioneer, which are both targeting the European market.

Under the agreement, Deutsche Telekom will gain access to AOL's online services in the US by acquiring a separate stake. This will enable it to establish an international foothold and access to AOL's 3m subscribers.

Neither Bertelsmann nor Deutsche Telekom would reveal the size of the stakes or how much they would pay for them. However, it is understood the stake in AOL's US operations would be about 5 per cent and in AOL/Bertelsmann about 20 per cent.

"Deutsche Telekom knows it has to act fast now," Bertelsmann said. It added that the cartel office, the country's competition watchdog, had been informed of the deal and was likely to approve it because of the structure of the stakes held by Springer and Deutsche Telekom.

Springer, publishers of the mass circulation Bild newspaper and Die Welt daily, will take a stake in AOL/Bertelsmann and Deutsche Telekom's own online service, T-Online.

In a complicated cross-holding structure, T-Online will also take a stake in AOL/Bertelsmann.

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Wella pessimistic after earnings fall 22% for the year

By Wolfgang Münchau in Frankfurt

Wella, the German hair-care and cosmetics group, remains pessimistic about its immediate financial prospects, according to the nine-month earnings report released yesterday.

The company said pre-tax profits had fallen 22.1 per cent to DM88m ($62.3m) in the year to end-September. The downturn in profits was widely expected by the stock market, following a warning last month in which Wella acknowledged management errors and severe difficulties in several foreign markets.

The warning, which was unusually blunt and highly self-critical, followed the resignation in September of Mr Peter Zühlsdorff as chairman. Wella insisted yesterday that the resignation was not related to the downturn in profits.

The company's shares continued their descent, yesterday, falling by DM8 to DM720, which compares with a level of DM1,150 in mid-September.

It is believed that Mr Zühlsdorff resigned after a clash with Wella's family shareholders, who resisted the former chairman's ambitious expansion strategy.

Wella's problems stem largely from its business activities in China, Russia, the UK, and the US. In Germany, turnover in the retail business rose 10 per cent. The hair-care salon market remained weak throughout the year, but Wella said it was able to increase market share.

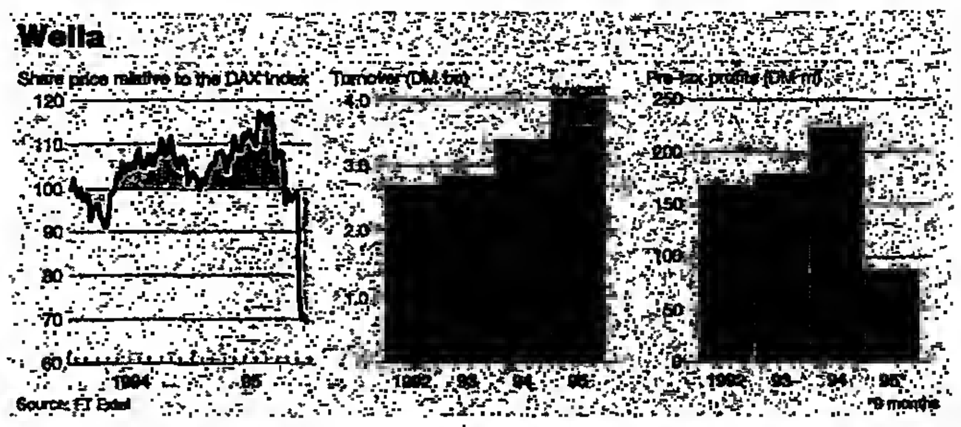
In the UK, Wella has been facing fierce competition from Unilever and Procter & Gamble, resulting in a downturn in sales, despite higher advertising spending.

The concentration process in the US cosmetics industry has forced Wella to reorganise its distributor network, which led to a fall in revenues. The company's US business generates sales of about $100m a year.

Group turnover in the nine-month period increased 5.4 per cent to DM2.5bn. Excluding acquisitions, turnover fell 2 per cent.

Wella said there were no signs of a recovery in its markets. "We expect, therefore, an improvement in turnover of only between 5 per cent and 6 per cent for the whole year. Profits before taxes for the year 1995 will probably fall by more than they did during the first three quarters," it said. However, the company, remained optimistic it would return to a period of rising profits from next year.

Wella



Source: FT Extel

Merger vote seals Rolo Banca deal

By Andrew Hill in Milan

Shareholders in Credito Romagnolo, the Bologna bank, yesterday set the seal on one of Italy's biggest banking deals when they voted to merge with Carimonte Banca, a neighbouring bank.

The new bank – called Rolo Banca 1473 – is the fruit of last winter's successful L3,770bn ($2.36bn) bid for Credito Romagnolo, led by Credito Italiano (Credit), the former state-owned bank. Credit beat off a rival bid with the backing of Carimonte Holding, Carimonte Banca's parent, and Ras, the Italian insurer controlled by Allianz of Germany.

Rolo Banca becomes one of Italy's largest banking groups, with nearly 550 branches and a particularly strong presence in Emilia Romagna, one of the most prosperous regions. The merger means that Credit – which has 710 branches in its own right – rivals Banca di Roma as the group with the largest network in Italy.

Credit is the largest shareholder in the new merged group, with 42 per cent held directly and indirectly. But it has granted Carimonte Holding an option to buy out its shares, should Credit be taken over, and a big say in day-to-day management at Rolo Banca.

The special clause could prevent hostile bidders for Credit gaining control of Rolo Banca and has been interpreted by some critics as a "poison pill".

But Mr Lucio Rondelli, Credit's chairman, pointed out yesterday that under those circumstances, Carimonte Holding would have to pay more than L3,000bn cash for Credit's stake in Rolo Banca. Carimonte Holding sought strong management control and guarantees against a possible change in ownership at Credit, in return for giving up full control over Carimonte Banca, one of the regions most aggressive small banks.

Credit has an option to buy its partner's shares, should the two charitable foundations that own Carimonte Holding lose control.

Credit and Carimonte Holding will control the Rolo Banca with a 68 per cent stake. Some 44 per cent is held through a joint holding company, 19.5 per cent directly by Credit, and 4 per cent by one of the two charitable foundations. Ras has a 3.23 per cent stake and the rest of the shares are owned by small shareholders.

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KNP denies plans to divest further

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, said yesterday it had no plans to carry out further divestments in packaging in order to bolster the division's flagging profitability.

Speculation in Amsterdam about possible divestments has been rife after the resignation of two top packaging executives at the group in the past few days.

On Monday evening, Mr Frans Spits, member of the board of KNP BT Packaging, said he would resign on December 1. News of his departure came soon after the announcement on Friday that his boss, Mr Bert Paalman, had resigned from the group's six-member executive board.

KNP BT would say only that the top-level resignations were caused by differences of opinion about short-term policy on packaging, after the release of disappointing third-quarter figures on November 8.

Operating results in packaging were halved, holding back profit growth for the group as a whole. KNP BT's shares yesterday closed at a 12-month low of Fl 40.40, down Fl 1.60 from Monday.

Analysts said the fall was linked to the uncertainty as well as Rexam's poor results this week in the UK. They added that the resignations might be linked partly to the decision, announced in August, to sell the group's six flexible-packaging units in Germany, the US and Egypt.

"People in the packaging division felt very attached to flexible packaging, and it seems to have created bad blood," said one analyst. This theory was also advanced by other paper analysts in Amsterdam.

However, Mr Pieter Barbas, secretary to KNP BT's executive board, said the flexible-packaging divestment "did not play a role in the departure of the two gentlemen". He also emphasised that, although unspecified measures were necessary in packaging, no divestments were being planned.

Earlier this year, KNP BT said it planned to concentrate packaging efforts on graphic board, one-way transport packaging such as solid board and protective packaging.

Analysts noted that KNP BT, in a press conference called after the third-quarter results, had expressed particular disappointment with the results in solid board, typically used in shipping agricultural produce to market.

"Solid board underwent drastic restructuring after KNP BT was formed in 1993, and you can't help but think that another round of retrenchment is on its way," an analyst said.

DSM to buy 70% stake in OMV unit

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, said it was close to an agreement with OMV, the Austrian energy and chemicals group, on buying a 70 per cent stake in OMV's subsidiary Chemie Linz, a producer of intermediates for the pharmaceuticals and agrochemicals industries.

Negotiations are expected to be completed before the end of the year, allowing the acquisition to take effect early in 1996 after approval from Austrian regulators. DSM said it hoped to acquire full of Chemie Linz before the end of the decade.

Chemie Linz, with turnover equivalent to Fl 320m ($200m), will mark one of DSM's largest acquisitions in the 1990s. It will also be DSM's first big purchase of a fine chemicals operations since it bought Andeno, a specialty chemicals company, from Océ-van der Grinten of the Netherlands in 1987. DSM said Chemie Linz was profitable in 1994.

The proposed deal is part of DSM's strategy of pursuing strong growth in fine chemicals to make it less vulnerable to the bulk chemicals cycle.

One of Chemie Linz's attractions for DSM is its involvement in a project with Roche, the Swiss drugs company. Roche is building a plant at Chemie Linz's site in Linz for the production of a newly-developed anti-obesity agent. The Swiss company will own the plant but it will be operated by Chemie Linz.

The transaction with DSM will enable OMV to focus on the oil and gas sectors in central Europe, a joint statement said.

In late September, OMV said it was close to forming a plastics joint venture with Repsol of Spain that would create Europe's third-largest petrochemicals company.

The additional turnover provided by Chemie Linz will raise DSM's fine-chemicals turnover to more than Fl 1bn, or about 11 per cent of the group total. DSM aims to lift this to 20 per cent by the end of the decade, both through acquisitions and organic growth.

In 1994, DSM entered into a 50:50 joint venture with Gist-brocades, the Dutch yeast and penicillin producer, to make intermediate substances for the production of anti-biotics.

BAT to take stake in Polish plant

By Christopher Bobinski in Warsaw

BAT, the international tobacco group, has agreed to pay $88m for an eventual 65 per cent share of the state-owned Augustow tobacco plant in north-west Poland in the first disposal in the government's controversial tobacco sector privatisation programme.

The sale comes before this week's parliamentary vote of no confidence in Mr Wieslaw Kaczmarek, the privatisation minister, who is under attack from deputies in the Polish Peasant Party (PSL), the junior partner in the governing coalition.

These critics – who were until recently intent on blocking the sale of the tobacco sector – are now charging that the government has undermined national interests in its mass privatisation programme.

This is due to get under way today when distribution begins of coupons entitling Poles to shares in more than 400 state-sector plants.

The plants have been grouped in 15 investment funds which are to be run by mixed foreign and local management companies which Mr Kaczmarek's opponents say have been given too much power.

The no confidence motion helps explain the speed with which the Augustow deal was completed.

BAT, advised by Schroder Polska, has promised to invest $70m in Augustow. It will take control of 33 per cent of the plant's equity, with an option to buy the other 32 per cent for a nominal fee once the investment programme is complete. Local suppliers of tobacco to Augustow are to receive 15 per cent and the plant's employees the same.

The government, advised by Deutsche Morgan Grenfell, still has plants in Krakow, Radom, Poznan and Lodz. The Augustow sale sets a price marker for later disposals. Radom, which has close links with Tabacalera, the Spanish tobacco company, is the next factory expected to be purchased.

Augustow, which is close to the Lithuanian and Belarus borders, controls 6 per cent of the domestic market with its own brands. BAT, which makes its Lucky Strike and HB brands at the plant, controls another 7 per cent.

Reemtsma of Germany is thought to have bid for the Poznan plant, which has a 25 per cent market share, and Philip Morris of the US is interested in purchasing the Krakow plant, which has a 30 per cent share.

Philip Morris has made its Marlboro brand under licence in Krakow since the 1970s. The value of these two offers, however, are thought to be below government expectations.

INTERNATIONAL COMPANIES AND FINANCE

Dell Computer earnings up 82% in third quarter

By Louise Kehoe in San Francisco

Dell Computer, the US personal computer manufacturer, reported an 82 per cent jump in net income for its third fiscal quarter, ended October 29, out-performing Wall Street's expectations.

Net income for the quarter was $75.4m, or 75 cents a share, on sales of $1.42bn, compared with earnings of $41.4m, or 47 cents, on sales of $884.6m a year ago. Wall Street analysts had been predicting earnings of about 70 cents a share for the quarter.

The Texas-based company, which sells PCs by telephone and mail order, said sales to businesses and government agencies accounted for 90 per cent of revenues. Dell is now the only large US PC company not directly addressing the home computer market.

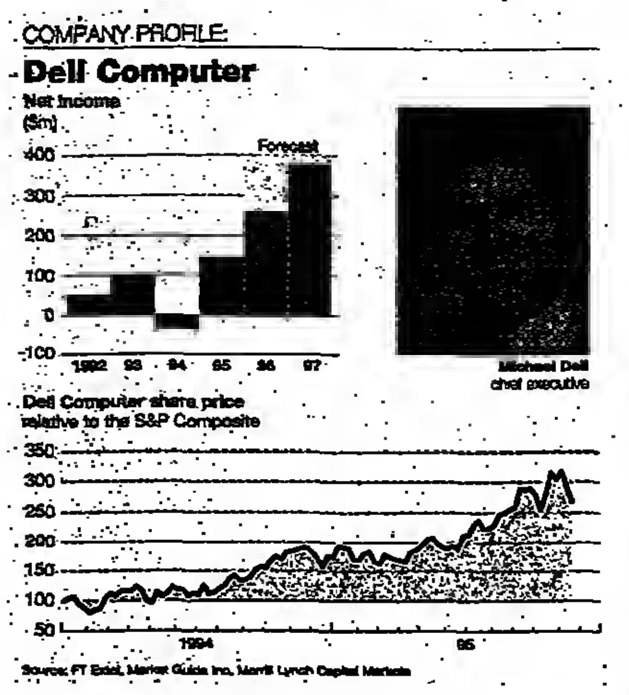
Salas wera particularly strong in the US, said Mr Michael Dell, chairman and chief executive, reflecting seasonal growth in the government and education sectors, continued increases in corporate purchases and accelerating strength in sales to small and medium-sized businesses.

Component shortages continued to constrain Dell's ability ability to keep pace with increasing demand. "We realise that unprecedented demand has meant longer delivery times on some of our products than customers have come to expect," Mr Dell said. "Although component supply continues to be a challenge, wa are working hard to resolve the situation."

Sales of Pentium processor-based systems rose to 82 per cent of total system sales in the quarter, from just 32 per cent in the same period last year, reflecting a rapid shift to the new Intel microprocessor technology.

For the year to date, sales were $3.8bn, compared with $2.4bn in the first nine months of fiscal 1995.

Net income was $202.2m, or $1.98 a share, compared with $88.9m, or $1.00.



Boston Beer scores victory for small investors

By Lisa Bransten in New York

Samuel Adams would be smiling. Boston Beer – which makes brews named after the revolutionary hero who led the Boston Tea Party revolt against tea taxes – scored a victory for small investors when it went public yesterday on the New York Stock Exchange.

In many of this year's most sought-after offerings, the early money bas been made by big institutional investors, who can buy shares at the offering price, leaving small investors scrambling to get in later at a premium. Netscape Communications, for example, which was offered at $28 a share in August, climbed to $58¼ in first-day dealings and closed on Monday at $116¼.

Boston Beer turned the tables with a consumer offering through which beer drinkers could buy shares for $15 each by responding to a coupon on their six-packs.

However, strong institutional demand meant the deal was priced late on Monday for big investors at $20.

Both big and small investors were doing well as of midday yesterday, when the shares were trading at $30.

Boston Beer, the largest US maker of "craft" beers, offered 30,000 consumers a chance to buy 33 shares each for $495 beginning at the end of October. The 990,000 shares represented about a quarter of the total 3.99m shares sold to the public.

Mr William Smith, an analyst at Renaissance Capital, an IPO research firm, said targetting the consumer was "a great idea because their best stockholders are their customers" who know and enjoy the product.

However, he said the shares were expensive compared with other makers of premium beers and gave it the firm's "moderate" ranking for longer-term investors.

At $30, the stock has a price/earnings ratio of 100, based on annualised earnings. Redhook Ale Brewery, which went public in August but is not as well known nationally as Boston Beer's Samuel Adams brand, was trading for $27, giving it a comparable p/e ratio of 69.

Since the company first filed the deal in August it reduced the number of shares in the institutional offering and switched from the Nasdaq Stock Market to the NYSE.

Because of legal restrictions, the company declined to comment on the changes.

New chief appointed in shake-up at Molson Breweries

By Robert Gibbens in Montreal

Canada's Molson Companies has replaced the president and chief executive of its brewing subsidiary, Molson Breweries, in a management shake-up designed to restore market share and profitability.

Mr John Barnett, the president of Molson USA, takes over the top Molson Breweries position immediately "to steer it through the next stage of growth in volume and market share", the company said. He takes over from Mr Bruce Pope, who will continue in "an advisory capacity".

Molson Breweries is 40 per cent owned by Molson Companies, 40 per cent by Foster's of Australia, and 20 per cent by Miller of the US.

The parent companies would not elaborate on reasons for the shake-up, but Molson's share of the Canadian market has shrunk from 52 per cent in 1990 to about 47 per cent, and earnings have stagnated. International operations have grown but have not compensated.

Rival Labatt, recently acquired by Interbrew of the Netherlands, has picked up most of the share lost by Molson.

Molson is restructuring its second-biggest subsidiary, Diversey, the special chemicals producer, trying to turn the lossmaking US unit around. Analysts expect it to be sold eventually.

Canadian institutions prepare to do battle

Banks and insurers are pressing demands ahead of 1997 shake-up, says Bernard Simon

Canada's banks and insurance companies are marshalling forces for one of the last, and probably one of the fiercest, battles in the deregulation of domestic financial services.

With a barrage of speeches, submissions, advertising campaigns and behind-the-scenes lobbying, each side is seeking to press its demands and concerna in the run-up to a planned 1997 overhaul of legislation governing federally-regulated financial institutions. The finance ministry is due to spell out its initial views early next spring.

The stakes are especially high for the insurers, who are struggling to adapt to changes sweeping through their industry. The extensive networks of sales agents and brokers on whom insurers have traditionally depended are being challenged by cheaper and more accessible technology, ranging from tele-marketing to Web sites on the Internet.

At the same time, a rising proportion of the savings previously channelled into life assurance policies is slipping away to the growing mutual funds industry.

The banks pose a new threat. They are pressing Ottawa to remove barriers which have held back their assault on the insurance market.

Reforms adopted in 1992 allow the banks to form insurance subsidiaries. But they are still barred from using their vast branch networks to sell most types of insurance, or from sharing data on bank customers with their fledgling insurance operations.

The insurers hope to persuade policymakers and the public that the banks are already too powerful. In a submission to the finance department earlier this year, the Canadiau Life and Health Insurance Association noted that the five biggest banks now account for almost two-thirds of the assets of all deposit-taking institutions.

Over the past decade, the banks have also gobbled up Canada's biggest securities dealers and several ailing trust and loan companies, which specialise in mortgage lending. The CLHIA urged that the 1997 review "should correct the legislativa and regulatory privileges enjoyed by the banks".

For instance, it has demanded access to the banks' payments system to enable insurance companies to offer cheques and automated teller machines. The CLHIA is also seeking deposit insurance reforms, such as the removal of government guarantaes from bank savings instruments that compete against insurance products.

Each side has encountered unexpected obstacles as it has tried to move into the other's traditional territory. The two biggest life offices, Manulifa Financial and Sun Life of Canada, have retreated from earlier forays into deposit-taking.

"It's hard for anyone to get into retail banking," says Mr Dennis Maddan, a Toronto financial services consultant. Besides misjudging the strength of the big domestic banks, insurance companies had little banking experience and found themselves burdened with troubled commercial property assets.

Most of the big banks have set up insurance subsidiaries, and a few have made acquisitions. The most aggressive has been Canadian Imperial Bank of Commerce, which has invested more than C$150m (US$111m) and now employs more than 800 peopla in its insurance arm.

CIBC now offers travel, medical, accidental death policies and a basic term life product. It launched a motor vehicle policy early this year. The response was so overwhelming, with 15,000 calls in the first week, that the bank cancelled its advertising campaign. It has quadrupled its resources since January. CIBC expects gross premium income to reach C$185m this year, putting it among Canada's top 15 property and casualty underwriters.

Bank insurance entry strategies

As of October 31 1995

	Startup	Acquisitions	Joint venture	Marketing
CIBC	✔	✔		✔
Royal Bank		✔	✔	✔
Toronto Dominion	✔			✔
Scotia Bank	✔			✔
Bank of Montreal				✔
National Bank	✔	✔	✔	✔
Canada Trust			✔	✔

Source: Directions - Executive Briefing, Toronto

Tha regulatory battle could be overtaken by developments in the marketplace. CIBC recently side-stepped the curbs on exchanging information by offering all its 6m banking customers C$1,000 of free accidental death coverage. The 430,000 replies have provided a useful database for the insurance business.

Ms Helen Sinclair, president of the Canadian Bankers Association, predicts that curbs on data-sharing will become a non-issue as financial institutions increasingly use World-wide Web sites and other direct electronic marketing techniques.

In an effort to reassure critics, the banks have promised to give a lifelong "opt-out" from cross-marketing to any customer who asks for it.

Tha banks have also fought back with figures of their own to show that fears of their power are exaggerated. According to the banks, the financial services sector is less concentrated than Canada's airline, oil and automotive industries.

Furthermore, Canada's five biggest property and casualty insurers are all subsidiaries of large multinational insurers, whose home countries have opened the retail insurance market to banks.

The overcrowded insurance industry faces a period of wrenching adjustment, whatever the outcome of the regulatory battle. Mergers and acquisitions have become the order of the day. Among the most recent was Manulife's purchase of North American Life, making it the biggest group and life carrier. Several US and European underwriters have withdrawn from Canada.

Those that remain have stepped up their search for new, low-cost distribution channels to complement their existing sales networks, and compete more effectively against the looming threat from the banks.

Nevertheless, Duff & Phelps, the Chicago-based rating agency, concluded in a report on the Canadian insurance industry earlier this year that "the ramaining two-year window prohibiting banks' use of branches and customer files for insurance and annuity sales may not be long enough for the life insurance industry to readjust. Some small and mid-sized life insurers may eventually become vulnerable".

Microsoft claims 525,000 online customers

By Louise Kehoe

Microsoft has signed up more than 525,000 subscribers to the Microsoft Network (MSN), the online service that it launched to August together with Windows 95, the company announced.

The rapid growth in MSN subscribers places Microsoft among the top ranks of online service providers and makes it one of the world's largest Internet access providers, since MSN users can link to the Internet.

Microsoft has not, however, achieved the instant dominance in the online market that some analysts bad predicted.

America Online, which had charged that Microsoft would gain an unfair advantage by including MSN access software in Windows 95, gained 700,000 subscribers over the three months ending in September, according to market researchers, bringing AOL's total to more than 4m subscribers.

AOL's objections, together with those of other competitors, prompted the US Justice Department to launch an anti-trust investigation of Microsoft's marketing plans for MSN. The government agency has, bowever, taken no action.

Only about 22 per cent of US households that have purchased Windows 95 bave become subscribers to MSN, according to Odyssey, a San Francisco market research company. Microsoft said, however, that it still expected MSN to reach 1m subscribers by August.

Microsoft added that it was dropping plans to call a temporary halt to new MSN subscriptions at the 500,000 mark, because it was confident the system could handle continued growth.

Separately, new data from two market research companies suggests that sales of Windows 95 have not lived up to expectations. Dataquest said it had reduced its 1995 forecast for Windows 95 shipments by 3.6m units to 26.4m copies.

Abont 10m copies will remain in the distribution channel – on retailers' shelves and in PCs that have yet to be delivered to end users – at the end of the year, meaning there would be about 16.4m copies in use, the researchers said.

In a survey of US home computer users, Odyssey found that only about 6 per cent of US households with PCs have adopted the new operating system. "All the hoopla [surrounding Windows 95] hasn't convinced the majority of home PC owners that they need or want Windows 95," Mr Nick Donatiello, Odyssey president, said.

Earlier versions of Windows remain the dominant PC operating system among home computer users, with 40 per cent market share, according to the Odyssey survey, while abont 28 per cent are still using Dos, the Microsoft software which pre-dates Windows.

RJR counters new move for Nabisco spin-off

By Richard Tomkins in New York

Corporate raiders Mr Bennett LeBow and Mr Carl Icahn, who together control a 4.8 per stake in RJR Nabisco, the US tobacco and food group, have stepped up pressure on the company to spin off its Nabisco food subsidiary by naming the directors they want to replace RJR Nabisco's board.

In a counter move, RJR Nabisco has filed a suit against Mr LeBow and Mr Icahn, claiming that they have violated US securities law by secretly conspiring to form a group to acquire control of the company's common stock.

The suit contends that Mr LeBow's and Mr Icahn's hidden agenda is to gain control of RJR Nabisco's tobacco business and combine it with Liggett, a tobacco company controlled by Mr LeBow through his holding company, Brooke Group.

Mr LeBow is pressing RJR Nabisco to spin off its Nabisco food company to shareholders, saying the tobacco and food businesses would command a higher stock market valuation if demerged.

Mr Icahn has pledged his support for Mr LeBow's efforts.

RJR Nabisco has already spun off 19.5 per cent of Nabisco to shareholders, but says a spin-off of the remainder would be interpreted as an attempt to protect the company's assets from potential tobacco liabilities, resulting in a flood of litigation.

Yesterday Mr LeBow's Brooke Group announced the names of nine candidates to replace RJR Nabisco's existing directors. The list, which includes Mr LeBow, will be put to shareholders at the company's anoual meeting next April.

Brooke Group has repeatedly said that it would drop its proxy battle if RJR Nabisco agreed to a spin-off.

But RJR Nabisco says it doubts Mr LeBow's and Mr Icahn's intentions.

Mr Steven Goldstone, RJR Nabisco's president, said that if the two financiers tried to press ahead with an immediate spin-off, they would run into just the same obstacles as RJR Nabisco, and realise it was not viable.

"By then, however, they would have control and be in a position to get hold of the company's assets," Mr Goldstone said.

RJR Nabisco's lawsuit accuses Mr LeBow of devising "a covert plan" to acquire a controlling block of the company's common stock without paying any premium, by making open market purchases "directly and through others acting with him. Mr LeBow then would force a merger of RJR's tobacco businesses with Liggett, to the benefit of Mr LeBow and his partners," the lawsuit claims.

There was no immediate response from Mr LeBow or Mr Icahn.

Canadian Pacific plans restructuring

By Robert Gibbens

Canadian Pacific, the big transport, energy, hotels and property group, is planning a corporate overhaul that will include moving the headquarters of its CP Rail unit from Montreal to Calgary.

The shake-up will create a holding company overseeing six operating units: CP Rail, CP Ships, PanCanadian Petroleum, Fording Coal, Marathon Realty, and CP Hotels. The name Canadian Pacific will remain unchanged.

Preference shareholders will swap their holdings into common shares, on the basis of one common share for every 4.263 preference shares held. Debt holders will be fully protected in the restructuring.

CP will take fourth-quarter after-tax write-downs of C$700m (US$511m) on its rail assets and C$275m on its property assets.

The final quarterly dividend for 1995 will be 12 cents a share, up from 8 cents previously.

CP Rail will become a 100 per cent-owned subsidiary with direct access to capital markets and freedom to pursue acquisition and marketing pacts on its own. But rationalisation and the move to Calgary will mean the loss of 1,450 jobs. The losses will also be felt in the US, where CP Rail has significant rail holdings.

The staff reductions, coming mainly at the administrative level of CP Rail, would represent annual savings of about C$100m, Mr William Stinson, Canadian Pacific president said, while the write-down would reduce the impact of annual depreciation on CP Rail's results.

Mr Stinson denied the move of CP Rail's executive offices to the west was related to last month's Quebec referendum, narrowly won by the federalist side.

"We do 80 per cent of our rail business in western Canada," he said. "That's where the railway should be based. We have to make the railway more efficient and profitable."

● A four-month strike at Repap Enterprise's big Skeena softwood pulp mill in northern British Columbia has been settled and operations will restart immediately.

The mill has annual capacity of 450,000 tonnes and ships its output to the US and Asia.

Both Repap and the Pulp Paper & Woodworkers of Canada accepted mediation from a government-appointed conciliator. The new contract runs for six years but no details were immediately available.

Tracinda files proxy statement

Tracinda, the private investment company of Mr Kirk Kerkorian, filed a preliminary proxy statement with the Securities and Exchange Commission relating to Chrysler's 1996 annual shareholders' meeting, Reuter reports from Washington.

Tracinda said that it was not currently asking for proxies but had filed the materials to ensure that it would be free to engage in discussinns with Chrysler shareholders while the board conducted its 90-day corporate governance review.

Mr Kerkorian said on Monday that his investment firm would take steps to begin soliciting shareholder votes at the ootomaker's annual meeting.

The materials propose electing Mr Jerome York, Tracinda's vice-chairman and a former Chrysler chief financial officer, to the car manufacturer's board, and opposing the re-election of Mr Joseph Antonini, the former Kmart Corp chief executive.

Thay also propose adopting a non-binding resolution to increase the size of Chrysler's board by two directors.

Tha proposals in tha proxy statement echo proposals made by Mr York in a latter to Chrysler in October.

In the SEC filing, Tracinda proposes setting up a "shareholder valua committee" to review the carmaker'a financial policies and designating an investment banking firm to do a financial analysis.

It also proposes that Chrysler adopt an anti-greenmail rule, raise the threshold under its poison pill rights plan to 20 per cent from 15 per cent, and require shareholder approval for issuing Chrysler's "blank check" preferred stock and block placements of common stock.

Mr Kerkorian and Tracinda own 51.9m Chrysler shares, or about 13.6 per cent of the total outstanding.

Together with former Chrysler chairman Mr Lee Iacocca, Mr Kerkorian controls 14.1 per cent of tha carmaker.

Tracinda said that it had hired D.F. King & Co Inc for solicitation and advisory services.

Prices for electricity [illegible] in England and Wales.

Half hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.07	9.02	9.02
0100	22.91	8.53	10.83
0130	33.33	8.93	10.83
0200	33.33	9.04	9.04
0230	33.33	9.02	9.02
0300	33.33	8.96	8.96
0330	8.97	8.96	8.96
0400	9.02	8.98	8.96
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

ASIA-PACIFIC NEWS DIGEST

Ssangyong Motor to increase output

Ssangyong Motor, Korea's fourth largest automotive company, plans to quadruple its production capacity to more than 600,000 vehicles by 2000 with its second plant at Taegu, South Korea. The planned $2.6bn facility will produce 350,000 vehicles, including 200,000 cars. It is also expanding production capacity at its factory at Pyungtaek, south of Seoul, from 150,000 vehicles to 300,000 by 1997.

The company plans to enter the car market in 1998 with luxury models developed with the technical assistance of Germany's Mercedes-Benz, which has a 5 per cent stake in tha group. It might also develop a subcompact car. Ssangyong currently makes four-wheel drive vehicles, including the Musso, and buses and trucks. It recently introduced a new range of minibuses, the Istana, with a third of its output to be sold under the Mercedes-Benz badge, mainly in the Asian region.

However, analysts have expressed caution about Ssangyong's entry into Korea's overcrowded car market, which is dominated by Hyundai, Kia and Daewoo. Competition will intensify further with the entry of Samsung in 1998. The capacity expansion has resulted in Ssangyong reporting losses for the past three years, including a deficit of Won79bn ($102m), on sales of Won803bn in 1994, the sharpest fall among Korean motor companies. Losses for the first half of 1995 amounted to Won49bn, on sales of Won419bn.

Ssangyong is expected to suffer further losses because of forecast capital costs of Won3,600bn between 1995 and 1999, with the Taeju facility accounting for almost 60 per cent of that amount. Mr Kim Suk-joon, chairman, said vehicle operations were being expanded to reduce the dependence of tbe group, Korea's sixth largest, on its core businesses of oil refining and cement. *John Burton, Seoul*

Indian truck maker surges

Tata Engineering & Locomotive (Telco), india's biggest truck maker, saw net profit jump to Rs2.3bn ($66m) in the six months to end-September from Rs685.5m a year earlier. Sales climbed from Rs21.43bn to Rs33.87bn, up 58 per cent. Telco holds about 70 per cent of India's beavy commercial vehicles market and 55 per cent of the light commercial vehicles segment. Vehicle production in the period rose 44 per cent from 57,313 units to 82,428. Vehicle sales jumped from 53,391 units last year to 81,260.

Telco said last year's growth in demand continued into the current financial year, lifting sales and production figures to record levels in the latest half. It said it expected demand to continue into the second half but added that reduced liquidity in local markets might affect demand in the antomotive sector.

Telco has productioo agreements with Cummins Engine of the US to make engines, and with Germany's Daimler-Benz to make Mercedes cars in India. It made a $100m issue of global depository receipts in July 1994. *AP-DJ, New Delhi*

Australian airport sale blocked

The Australian Senate, the federal parliament's upper house, has blocked the proposed privatisation of Sydney Kingsford-Smith, the city's main international and domestic airport, and the yet to be built Sydney West airport. This has prompted the government to claim the new airport will not be ready in time for the Sydney Olympics in 2000.

The government had said it wanted the first airport sales completed by late-1996. Several international bidders are thought to be interested, including the UK's BAA, although some have put their plans on hold because of the uncertainty surrounding the sell-off.

The Senate block was the result of an amendment to legislation designed to permit the sale of the 22 airports managed by the Federal Airports Corporation. The amendment specified that the Sydney airports should be excluded until the former east-west runway was reopened at Kingsford-Smith and a noise problem resolved.

The airport recently moved to a system of parallel north-south runways, but the change to flight paths bas prompted a public outcry. Mr Laurie Brereton, transport minister, claimed the move would delay construction of Sydney West by up to 12 months. "The delayed legislation will now have to be re-introduced into parliameot following next year's [federal] election," be said. *Nikki Tait, Sydney*

APN buys advertising group

Australian Provincial Newspapers, Mr Tony O'Reilly's regional newspaper publishing group, announced yesterday it was buying Independent Communications Australia, an outdoor advertising business, for A$54.7m (US$40.7m).

ICA takes in a mixture of outdoor and transit advertising. Its sales were A$33.9m in the year ending December 1994, witb earnings before interest, goodwill amortisation and tax of A$7.14m.

APN said the deal fitted its strategy of developing and acquring media assets "with strong positions in growing nicbe markets". *Nikki Tait*

IDBI ahead 30% and plans share depository

By Mark Nicholson in New Delhi

Tbe Industrial Development Bank of India, the country's biggest state financial institution, yesterday reported a 30.1 per cent rise in pre-tax profit, inclusive of capital gains, to Rs6.53bn ($187m) for the first balf to September 30.

Mr S.H. Khan, IDBI's chairman and managing director, said it intended to set up a share depository in conjunction with Unit Trust of India, the country's biggest institutional investor, and the National Stock Exchange. The latter is the Bombay-based fnlly antomated stock exchange, set np in competition to the Bombay Stock Exchange in 1994.

IDBI is the second leading Indian institution to announce plans for a depository, which would eventually replace the stock markets' pbysical share trading with a paperless, automated book-entry system.

Tbe indirectly state-owned Stock Holding Corporation of India has already advanced its own plans for a depository.

Mr Khan said IDBI's earnings for the first half, excluding capital gains on sales of investments, grew 22.8 per cent over the same period last year to Rs23.57bn, while total expenditure rose 13.9 per cent to Rs17.27bn.

He said, however, that the persistent weakness of Indian equity markets had cut capital gains substantially in the half. Realised capital gains were Rs230m, down 76.5 per cent on the Rs980m for April-September the previous year.

The bank, India's leading state provider of term lending and other financial assistance to industry, said it sanctioned Rs113.9bn in fresb assistance over the first half, an increase of 28.5 per cent over the same period last year, while disbursements rose 20.4 per cent to Rs50.79bn.

The bank said it was confident of exceeding target disbursements for the current fiscal year nf Rs100bn, as projected in the offer document for the bank's July share offering – which was both IDBI's first pnblic offer and India's biggest.

The Indian government had also approved a $300m line of credit to IDBI from the Exim Bank nf Japan tn finance infrastructure projects.

ITC boosts profit and market share

By Mark Nicholson

ITC, India's biggest tobacco gronp, in which BAT Industries of the UK bolds a 31.6 per cent stake, has recorded an unaudited 22 per cent rise in first-balf net profits from Rs1.16bn to Rs1.41bn ($40.5m). It also said it had expanded its share of India's growing cigarette market.

In the six months to end-September, turnover rose 7.8 per cent, from Rs23.2bn to Rs25bn.

Cigarette tax, np from Rs10.9bn at Rs13.1bn, and a Rs1.5bn fall in export earnings to Rs2.65bn burt earnings but the effect was offset by lower costs and interest charges.

ITC said exports bad suffered from "re-evaluation, restructuring and consolidation" of its international businesses, after it withdrew from trading in "a number of agriprodncts with lnw turnover and margins".

The group said it had completed a restructuring of international and agribusiness divisions and that "profits have increased and the bottom line is bealthy".

ITC said substantial mannfacturing investment, factory modernisation and Improved marketing, advertising and distribntion bsd belped give ITC cigarettes 63 per cent of the Indian market, from 60 per cent a year earlier. The market bad grown 14 per cent, the company said.

ITC said its hotels business had also registered "strong growth", with turnover at its flagsbip Maurya Sheraton Hotel in New Delhi set to double from last year's Rs500m.

ITC was until recently dngged by a bitter dispnte between BAT and Mr K.L. Chngh, who resigned as ITC's chairman in September. The UK group earlier said it had lost faith in Mr Chugh's chairmansbip, altbough Mr Chugh's resignation was publicly amicable.

The company's nomination committee met this week for the first time to discuss Mr Chugh's succession but failed to reach agreement. The committee is expected to meet

Break-up plan remains option at Coles Myer

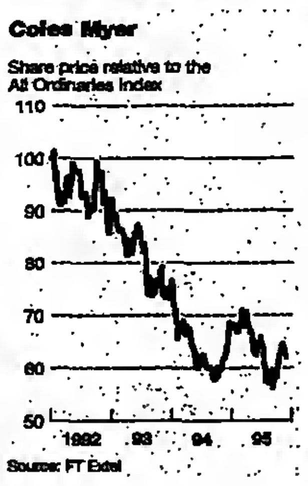
By Nikki Tait in Sydney

Coles Myer, the lsrge Australian retailer which has been the focus nf an institutional battle over corporate governance standards, said yesterday it was actively pursuing a break-up proposal.

This would see the company divided into several listed companies, each with separate managements and boards.

Mr Nobby Clark, the company's new chairman, told the annual meeting yesterday that a study had been commissioned in recent weeks, and that "a review of the restructuring option remains firmly on the board's agenda".

However, he added that the review would take some time, and the option remained "a proposal" at present.



The break-up plan was first put forward by Mr Solomon Lew, a Coles director and its former chairman, wben he was hattling with institutional investors over the extent to which the corporate governance issue made boardroom changes necessary.

Some institutions indicated they were not adverse to tha break-up plan, but felt it should be pursued under the aegis of a reconstituted board – an objective they succeeded in realising.

At yesterday's five-hour meeting, Mr Clark stressed that "examination of board committee structures and director related-party transactions" was a priority for the new board.

He revealed that Allen Allen and Helmsley, a law firm, had been called in to review all related party transactions, and that Allens, together with accountants Coopers & Lybrand, had also looked at Coles' corporate governance procedures.

However, he gave few details about the Australian Securities Commission inquiry into the "Yannon" transaction, which cost the company about A$18m (US$13.4m) and indirectly benefited interests related to Mr Lew by a similar amount.

"The results of that inquiry will almost certainly determine whether or not we are able to pursue any value lost by Coles as party of the transaction," he said.

At the end of tha meeting – which proved less aventful than some commentators had predicted – Mr Clark confirmed the slate of directors agreed between the company and institutions last month had been elected by shareholders, and that the two independent candidates had failed to secure board seats.

● In the Melbourne courts, Coles' lawyers yesterday failed to have parts of a wrongful dismissal claim by Mr Phillip Bowman, its former finance director who moved to Coles from the UK's Bass group, struck out.

However, they were given leave to appeal.

Mr Bowman claims his employment contract entitles him to a A$2.16m payout from Coles, and maintains he was dismissed because of his investigation into the Yannon transaction.

Coles, however, has alleged "wilful misconduct". It was the revelations arising from the legal action between Mr Bowman and Coles which was the catalyst for the institutions' corporate governance push at the retailer.

Nobby Clark: 'examination of board committee structures' a priority Picture: Tony Andrews

Lippo fights to keep its glamorous image

Indonesian banking and property group faces struggle to maintain investor confidence

Property and banking do not always sit together comfortably in south-east Asia's markets, as Lippo Group, one of Indonesia's largest and most prominent conglomerates, is finding out.

Shares in Bank Lippo and Lippoland, two of the group's flagship companies, have fallen about 25 per cent each in the past week, and there has been a run on deposits at a Bank Lippo branch as anxiety grows about the group's property developments outside Jakarta.

Mr Roy Tirtadji, managing director at Lippo Group, says there are no liquidity or solvency problems at any of Lippo's units. Bnt with several executives having left in recent months, the group is facing an uphill struggle in retaining investor confidence.

Analysts say the market fears that Lippo could turn out to be yet another Asian glamour stock which has overstretched. Worse, they worry that it may have fallen into the classic Indonesian conglomerate trap of using its own bank to fund speculative property ventures.

However, Mr Tirtadji claims residential and commercial space at Lippo Karawaci and Lippo Cikarang, two ambitious satellite town developments outside Jakarta, is selling well. The towns bave been widely tonted as showcase developments for Indonesia's new middle class.

These developments were consolidated into Lippoland's balance sheet for the first time when It reported fiscal 1995 unaudited earnings at the end of October. As a result, Lippoland's net gearing jumped to 140 per cent from 14 per cent a year earlier. That sent alarm bells ringing throughoot the financial community.

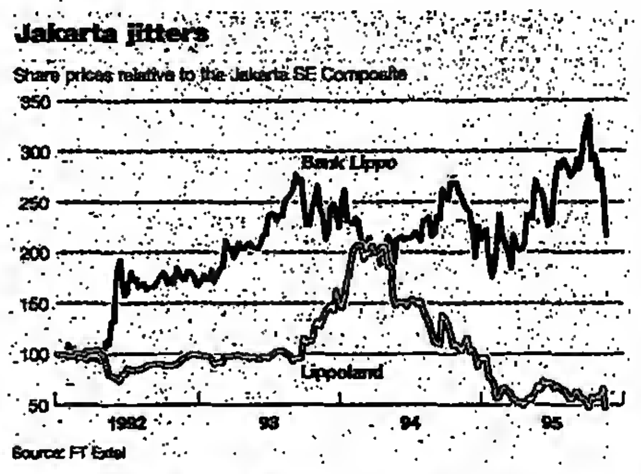
Mr Tirtadji says Bank Lippo's loans to Lippoland account for about 3 per cent, or roughly Rp180bn ($78m), of the bank's loan portfolio, a much larger figure than analysts bad assumed.

Analysts say Bank Lippo turned some of these loans into securities which were then sold to its customers. In effect, that took a portion of the loans off its balance sheet, but it is unclear who would be responsible if Lippoland failed to repay the debt.

More than 100 of Lippo Bank's customers have bought the securitised loans, analysts say. Lippo Group declined to comment on what by international standards counts as unorthodox behaviour.

Mr Tirtadji denies allegations that the bank has been lending to contractors building the satellite towns, adding to its exposure to the property development. "They may have their banks but for sure it's not Lippo," be says. He adds that Lippo Group, unlike many other Indonesian property developers, is not in the contracting business.

Mr Tirtadji insists sales at Lippoland are proceeding smoothly and that money obtained from pre-selling houses, apartments and commercial space is used to finance a large part of the development at its two satellite towns. Lippoland's net income for fiscal 1995 was Rp31.25bn on revenues of Rp217bn.



Mr Tirtadji says Lippoland's debt-to-equity ratio of one-to-one is evidence that the company is not overstretched. "I would say it's very healthy," he says. But to arrive at that ratio, Mr Tirtadji used a very narrow definition of debt. Using conventional yardsticks, analysts say Lippoland's balance sheet shows debts amounting to Rp981bn, and therefore net debt-to-equity ratio of about 140 per cent.

According to the company's accounts, short-term loans total more than Rp600bn, far more than the company's liquid assets at a time when the outlook for the property market is sluggish. As a result, Lippoland's ability to repay its loans on time without running into serious cash flow problems has been called into question.

"Lippoland has nne of the highest net gearing levels and is marketing relatively expensive prodncts in difficult market conditions," Mr Robert Adair, an analyst at GK Gob Ometraco Securities In Jakarta, wrote in a recent report.

Other analysts note that sales at Lippoland's other residential developments, which include two resorts, have weakened over the past year because of high interest rates.

Matters were compounded by media reports that Bank Lippo had failed to clear its account with the central bank because it was overstretched with loans to Lippo Group's property division.

Mr Tirtadji says that all the bank did was book a clearing loss, which occurs when casb drawn from a bank exceeds the amount deposited. "It's a normal day-to-day happening," Mr Tirtadji says.

"If yon ask me did Bank Lippo fail to clear, no, we never fail to clear because that question means we have a negative balance with the central bank. Our bank has never, I emphasise never, had an overdraft balance with the central bank," he adds.

Equity, he says, continues to be an important source of financing for Lippoland's developments, and the group would like to float shares in Lippo Karawaci as early as the first quarter of next year.

Hong Kong-based China Resources and Hutchinson Whampoa recently bought about US$26m of Lippo Karawaci's convertible bonds which can be converted into Lippo Karawaci shares eight months after the IPO, giving them a 10 per cent option in the development. Bnt negative sentiment about the property market will make a listing difficult.

In the meantime, confidence in Bank Lippo's operations is also at a low. Asked about allegations that a number of banks are standing by to bail out Bank Lippo, Mr Tirtadji says there is a gentlemen's agreement among the association of private national banks in Indonesia to help each other with liquidity problems.

"[Lippo Group's] policy has always been to ensure that our liquidity is under very good control so that if some rumours like this happen, we can still sleep well," he says. His challenge lies in convincing a suspicious market that this is the case.

Manuela Saragosa

Strong cellular phone demand helps Kyocera sales climb 8%

By Michiyo Nakamoto in Tokyo

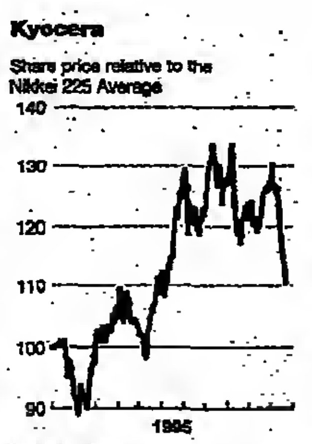
Buoyant demand for cellular phones and electronic components supported an 8 per cent increase in consolidated sales at Kyocera, the leading maker of ceramic packages and electronic parts.

Kyocera, which makes a products ranging from ceramic packages for microprocessors to karaoke equipment and artificial bones, enjoyed a 27 per cent rise in operating profits in the first six months of the fiscal year from Y21.1bn to Y26.8bn ($265m).

Sales climbed from Y211.2bn to Y228.9bn.

However, pre-tax profits fell 24 per cent to Y33.1bn from Y43.5bn last year, when profits were boosted by gains from the listing of DDI, the telecommunications company in which Kyocera owns a 22 per cent stake, and the share offering in two companies in which it is a leading shareholder. Net profits were also down by 19 per cent from Y23bn to Y18.6bn.

Kyocera benefited from the surge in world semiconductor



ing demand for its components for semicondoctor manufacturing equipment. As a result, sales in the fins ceramics division rose 12 per cent.

Electronic components sales increased 2 per cent on the back of strong sales to the PC and mobile phone markets.

The company was also lifted by firm demand in the domestic market for cellular phones, which have seen a surge in use since the market was liberal-

In addition, the popularity of its karaoke equipment combined to lift sales in the electronics equipment division by 9 per cent.

Kyocera believes the market for communications equipment will continne to provide growth, which will be supported by a recovery in the European and Japanese PC markets.

As a result, the company is forecasting a 14 per cent rise in parent sales to Y344bn in the full year, a 43 per cent increase in recurring profits to Y50bn and a 21 per cent rise in net profits to Y26.8bn.

● Japan's Airport Facilities, which manages and leases airport facilities at Narita Airport, expects to net Y5.75bn from its offering of 6.30m new shares ahead of a listing on the Tokyo Stock Exchange second section on December 21.

The company plans to use Y559m for capital expenditure and Y1.19bn to back pay long-term loans. It will put the remaining Y4bn in a bank for future capital needs.

The offering will increase the company's total ontstanding

Israeli hotel chain in Shk50m offering

By Mark Dennis in Eilat

Isrotel, the UK-owned Israeli botel chain, announced yesterday a Shk50m ($10.5m) international public offering to be tendered by the first week of December.

The flotation reflects a wave nf confidence in the Israeli tourist industry, which has been lifted by the Middle East peace process and the development of Eilat as the leading Red Sea resort.

The shares will be listed only on the Tel Aviv Stock Exchange, but the offering is expected to attract substantial foreign interest, according to underwriter Société Générale Equities, which is marketing it to European and US investors.

The 6m shares will be offered at a minimum price of Shk6.30 a share.

In addition, 9m options will be tendered simultaneously at Shk0.72 a share.

Isrotel, which is fully-owned by the Lewis Trust Group, a private company with botel and retail interests in the UK, Spain and Israel, is starting to realise profits after refurbishing the King Solomon's Palace Hotel, its initial investment, and building its flagship Royal Beach Hotel last year.

Profits fnr the first nine months of 1995 were Shk4.9m, compared with a loss of Shk2.3m a year earlier.

Total sales increased 46.2 per cent from Shk121.4m to Shk177.5m.

The offering takes advantage of the growth in Eilat, where Isrotel commands a 25 per cent ebare of the hotel market. Six of the company's seven hotels are concentrated in the centre of the city.

Four more hotels are planned. The city bopes to raise the number of rooms from 5,300 to 9,500 by 2000.

Only a year after the signing of the Israel-Jordan peace treaty, package tours incorporating destinations in southern Jordan and Egypt's Sinai peninsula have increased.

Direct arrivals to Eilat totalled 165,000 for the 1994-95 season and are expected to increase to 190,000 in 1995-96.

The Israeli tourist industry is enjoying a pronounced period of growth, with the government forecasting 4m visitors by 2000, up from 2.17m last year.

هكذا من الاصل

Text of a letter by R W Rowland, the second largest Shareholder in Lonrho, being sent to all Lonrho Shareholders

LONRHO-IMPALA PLATINUM MERGER

DOES IT ADD UP?

20TH NOVEMBER 1995

Dear Lonrho Shareholder,

The Board of Lonrho proposes a merger of its platinum assets with a competitor, the Impala platinum mines, which are owned by Gencor. Lonrho would receive shares in Implats, a subsidiary of Gencor. The Lonrho platinum mines in South Africa are the company's major asset, and for this reason your vital interests as an investor are concerned. As Lonrho shareholders, you have financed the platinum mines from their inception, and should reap the benefit.

In broad terms, Lonrho's platinum mines are young and healthy, excellently managed and South Africa's lowest cost producers. Impala is bigger, but is in more difficult ground and is less cost efficient. Impala is also an older mine and part of a group which has already mothballed two platinum mines. In the past few years Lonrho has received varied offers from Gencor to take over Lonrho's platinum Division. It's hardly surprising.

The Lonrho Board has now published the terms for an agreed merger. These terms are not good enough, when it is realised that as formulated they result in:

❶ A price far less than that envisaged by stockbrokers and analysts in the past two years.

❷ Loss of ultimate control of Lonrho's biggest asset.

❸ Loss of Lonrho's central attraction for outside investors or bidders.

❹ Loss of direction at Lonrho, which promised to expand and support its core activities, specifically mining.

❺ Exclusion worldwide from any further platinum dealing or mining by Lonrho.

❻ Vulnerability to 'creeping control' by Gencor. In my opinion, further purchases of a major block of Lonrho shares would, combined with this merger, put Gencor in control of Lonrho without a full offer.

In commenting on the terms, I rely on forty years of negotiating experience in the mining industry of Southern Africa as a mine owner, as a director of Rio Tinto companies, and at Lonrho where I remain the second largest shareholder. There can be no objection to the right deal for Lonrho.

It is my firm belief that this is the wrong deal and should be voted down in the interest of Lonrho and its shareholders.

Listed below are the material difficulties which need to be explained by the Board before the EGM on 30th November, if shareholders are to reach an informed decision.

Yours sincerely

R W Rowland

WHAT WILL THE REALIZED VALUE OF THE LONRHO PLATINUM DIVISION ('LPD') BE FOR LONRHO AND ITS SHAREHOLDERS IN THE PLATINUM MERGER?

£402m

On page 3 of their circular the Board of Lonrho assigns a value of about £402 million for the 29,168,425 shares of Implats that Lonrho finally expects to receive for the Lonrho Platinum Division.

£46m shareholder loans

Lonrho has shareholder loans of £46 million to LPD. According to the public Implats statement 'Lonrho will cede to Implats its claims on loan accounts against LPD amounting to R262.8 million.' (£46 million).

Is this an amount the shareholders have to deduct from the stated value of £402 million? If yes, this is a large sum to forego and against what is the cession made?

£36m giving up a claim

Did the Board in its calculations deduct the valne of the R204 million claim by Lonrho against Implats/Impala over the Karee Mine deal? This claim is well founded and was strongly supported by the Board of Lonrho. **Did the Board take the advice of an independent mining specialist and legal counsel before giving up a claim of £36 million as a concession to Implats in this merger?**

Dividends

On page 5 of the circular the Board says: 'Dividends have not been paid by LPD to Lonrho for several years, because of constraints imposed by the working capital and capital expenditure requirements of LPD.'

Did the Board take into account that Lonrho is replacing a cash flow (which can be regarded as a dividend payment) **of between £6-10 million annually in interest payments on the shareholder loans to LPD, with an insecure cash flow from dividends?**

Is it correct to say that prospective dividends from Implats would be subject to 25% taxation in South Africa, whereas the interest payments are tax free for Lonrho and tax deductible to LPD in South Africa?

Does Lonrho have a guarantee from Implats for about £10 million payment of dividends before taxes, or not?

Value capped by Put Option

Did the Board consider that the realized equity value is limited by the Put Option to R74 per share, compared to a stated valoe of R77.5-R80 per share in the initial merger. Would this lower the sale price for Lonrho's Implats shareholding by between £18-£31 million?

Is it not correct that the claim of the Bafokeng tribe, (see below) which would lead to the Put Option being exercised, is serious and therefore the execution of the Put Option is a real possibility?

Morgan Grenfell

Does the stated £402 million value to Lonrho reflect the value established by Lonrho's merchant bank Morgan Grenfell, which advised Lonrho in this merger? If yes, why does Morgan Grenfell oot support this merger by a full recommendation to Lonrho's shareholders in Lonrho's circular about the merger?

The circular contains a long technical report on the present state of the mines. Despite 'extensive due diligence' enquiries the circular does not contain anything from Morgan Grenfell.

Could Lonrho's shareholders have sight of Morgan Grenfell's advice and recommendation, and be told the value it has established from Lonrho's Platinum Division?

Costs

Is it correct to assume that the legal, technical and merchant banking costs are still to be deducted from the stated benefit to Lonrho's shareholders?

DOES THE BAFOKENG TRIBE'S CLAIM PERMANENTLY LIMIT THE ESTABLISHED VALUE TO R74 PER SHARE?

Senior Counsel

Did the Board consider the concern (page 44 of the circular) of the technical consultant over the claim of the Bafokeng tribe, which could lower the value of the Implats group by a significant amount?

If yes, who is the senior counsel in Johannesburg who advised Lonrho '.... that the probability is that any such action will fail....'? (page 34 of the circular)

Surely one line cannot accurately represent his entire opinion bearing in mind the likely legal, factual, and constitutional complexity of the claim.

Did he qualify his opinion in any way or offer specific advice to the Board?

Will Lonrho shareholders be able to see the written comment of the senior counsel or at least a précis of it, and if not, why not?

7% equity to the tribe

Is the Board of Lonrho aware that Implats offered the Bafokeng tribe the right to subscribe for 7% of the equity of the Impala Group during the years 1990-1994, as stated in the annual reports of Implats from 1990- 1994?

Did the Board of Lonrho and merchant bank Morgan Grenfell consider this factor and how would the possible concession of these rights or any other financial claim by the tribe affect the value of Lonrho's equity stake in this merger?

Net value

As outlined in an article by South African Business Day, dated 14th November 1995, the claim of the Bafokeng tribe seems to have substance.

Why does the Board of Lonrho enter into a merger of its major asset where the probability of a claim against the merger partner, whether successful or not, is high and imminent?

Would Lonrho then only be able to realize a maximum oet value of around **£330 million** *for it's Lonrho Platinum Division, whereas Lonrho's chief* executive earlier this year helped analysts of the City to establish a value for Lonrho's 72.59% interest in LPD in the range of **£450-500 million?**

The **maximum price of R74 per share** as a result of an execution of the option would enable Gencor to take over LPD for a far lower price than they would have to pay as a direct offer.

Advice

Has the Board of Lonrho approached the legal advisers of the Bafokeng tribe in order to assess the position of their claims, before entering into this agreement?

Is it correct that the Bafokeng tribe claim, which affects most of the mining rights of Impala, is fully prepared and ready to be issued?

Why is the Board not waiting for the outcome before merging the mines?

WHAT ARE THE BENEFITS AND THE SYNERGIES OF THE MERGER?

What the Board says

The following is an extract from page 5 of the circular:

'.... believes that the mergers will provide the following benefits to Lonrho shareholders:

– it will allow more rapid and extensive development of LPD's assets. The development of LPD's operations has been constrained for some time by high levels of borrowing; the Enlarged Implats will have low borrowing;

– it will produce a number of operational improvements arising, in particular, from the sharing of mining and processing techniques. In the short term, however, mining synergies are likely to be balanced broadly by the costs of achieving them. In the medium and longer term, the *Directors believe that there will be substantive benefits for Implats* shareholders, including Lonrho.'

Capital Expenditure
Is it correct (page 24) that 'with minimal capital expenditure, the platinum output of LPD can be increased rapidly to a level of some 600,000 oz from the 1995 achieved level of some 550,000 oz', and that the proposed increase in platinum production to 770,000 oz per annum by the year 2001 will be achieved with a planned capital expenditure of additional **R163 million** over the oext years, which means an improvement of 220,000 oz per annum from the 1995 achieved level of some 550,000 oz?

Efficiency

Is it equally correct that Implats would achieve an improvement of nearly the same size (240,000 oz/per annum) with a capital expenditure program of R427 million, only over the next 3 years?

2½ times the costs

Where is tha capital expenditure benefit to LPD if Implats, expansion program for the same increase in production costs 2½ times more than that of LPD and the planned capital expenditure program of LPD could be financed by the cash flow at present without the need for further capital?

Synergies?

Production costs 20% lower at LPD

Based upon the annual reports from Implats, it is obvious that the production cost in R/kg of platinum group metals "pgm" from the smelter ***has risen from 19,000 in 1991** to **27,000 in 1995** (page 31)*, whereas the **production cost at LPD has not risen from 1991 to 1995 and is at about 21,589** R/kg of pgm **in 1995** (page 16).

LPD's production costs are 20% lower than those of Implats.

Operating costs 22% lower

The planned operating cost per oz at LPD for the year 2000 are projected to be **666 R per oz** whereas at Implats they are projected to be **811 R per oz,** which is **a cost difference of 22% in favour of LPD.**

Since 1978 LPD has steadily increased output in each and every year, whereas Implats records volatile production levels with 1995 lower thao most recent years. (page 31).

On page 12 of the circular the technical consultant says: 'Upon completion of the merger a team will be constituted to review the synergistic opportunities available to the merged quantity and to make proposals to the board regarding the means by which they can be realised.'

Can it be that the Board of Lonrho has not assessed the potential synergies of merging 'the lowest cost primary underground producer' LPD with the high cost producer Implats before proposing the merger to Lonrho shareholders?

Reserves

The technical report states on page 23:

"Lonrho Platinum Division has substantial shallow reserves."

In fixing the price for LPD, did the Board of Lonrho and the merchant bank Morgan Grenfell reflect the significant added value of these reserves, which can be extracted at the lowest cost in the industry?

If yes, what is the value given to these reserves by Morgan Grenfell, the company's merchant bank?

1995 accounts

Why does the Board oot make the 1995 figures of LPD available to Lonrho shareholders in order to enable them to compare LPD's figures with those of Implats for 1995?

Other offers

Did the Board consider a potential bid from the major platinum producer Anglo/Rustenburg and did Lonrho's merchant bank Morgan Grenfell approach them in order to establish the highest possible value for Lonrho's 72.59% stake in the Lonrho Platinum Division? If not, why not?

The technical consultant notes that LPD's expansion programmes are highly capital efficient. Lonrho is certainly not under financial pressure.

Until eight months ago all Lonrho directors with relevant experience and the entire South African management were opposed to a Gencor merger.

What rationale is there for giving up Lonrho's best stand-alone asset for a *price which, after all the deductions and risks are considered, appears to* be oo more than £300-£330 million?

SUFFICIENT INFORMATION

Fairness

Why has the Board of Lonrho refused to give enquiring shareholders copies of the relevant published documents, thus depriving them of the opportunity to properly evaluate the effect of the transaction on the Company?

How can shareholders evaluate the transaction if the only way that they can inspect the 2,000 or so A4 sheets of published documents is by poring over them in the company solicitors' offices during the 8 working days that remain before the EGM?

Clear view

What inconsistencies or drawbacks would be clear from these documents if shareholders' professional advisers had a proper opportunity to review them?

A proper and open evaluation before the EGM will help us all to get this vital deal right.

Response: If you share the concerns expressed in this advertisement contact Lonrho's company secretary and attend the EGM on 30th November.

ASK YOUR ADVISERS TO EVALUATE THE DEAL CAREFULLY AND ACT ON THEIR ADVICE

COMPANY NEWS: UK

Plans for music and rentals demerger on schedule for next year

Thorn EMI higher at £180m

By Alice Rawsthorn

Sir Colin Southgate, chairman of Thorn EMI, yesterday confirmed that plans to demerge the group's music and rental interests were on schedule and that he expects to announce formal demerger proposals next autumn.

He also announced a healthy increase in pre-tax profits from £124.8m to £179.7m ($284m) for the six months to September 30. Last year was held back by a £13.1m charge while this time included a £3.6m gain.

Sir Colin forecast continued growth in the second half, fuelled by a strong release schedule from EMI Music, which launched the Beatles *Anthology* album in the UK yesterday.

Thorn EMI's shares, which have risen strongly since the start of this year on speculation about the demerger and the possible sale of EMI Music, slipped 24p to £15.23.

Sir Colin said "all areas" of the group had performed well. Operating profits rose by 27 per cent to £194.3m with earnings per share 47 per cent higher at 25p (16.9p).

The Fab Four take a magical mystery tour through the Financial Times, in the days before they made enough money to pay people to do it for them. Their latest release, Anthology, is on EMI

EMI Music mustered a 23 per cent increase in operating profits to £124.6m on sales up 29 per cent to £1.13bn. The reduction in operating margins was due to the full consolidation of Toshiba EMI in Japan, after EMI raised its stake to a majority holding last autumn.

The music group benefited from healthy sales of Pink Floyd's *Pulse* album and Blur's *The Great Escape* in the UK. Its best sellers in the US included Garth Brooks' *The Hits*.

The Thorn rental business fared well with a 36 per cent increase in operating profits to £78.5m (£57.8m), on sales up 9 per cent to £730.6m, from £670.7m that excluded £71.5m from Rumbelows, since closed.

The HMV retail chain, to which the group recently added Dillons bookshops, produced a seasonal loss of £8.9m in line with expectations.

Vodafone ahead despite loss of market share

By Christopher Price

Vodafone, the UK's biggest mobile phone operator, yesterdey reported a 12 per cent increase in half-year pre-tax profits, underpinned by continued growth in subscribers despite the growing challenge from Mercury One-2-One and Orange.

However, the impact of the new rivals ate into Vodafone's market share which declined from over half of the 4.9m mobile phone market to 44.5 per cent. Cellnet has 42.4 per cent, while industry figures show Mercury with 6.9 per cent and Orange with 6 per cent. Vodafone shares fell 15p to 239p.

The competition forced Vodafone to focus attention on the residential market which continued the decline in the average revenne per subscriber.

Pre-tax profits at Vodafone rose from £186.4m to £208.1m ($329m) on turnover 19 per cent higher at £666.4m. The number of new UK subscribers in the six months to September 30 rose 372,000, an increase of 41 per cent on the same period last year, taking the total to nearly 2.2m.

With e greater proportion of customers taking the competitive LowCall tariff, the average revenue per subscriber is forecast to fall from £520 to £472 for the full year. Vodafone said that as well as recruiting more residential customers, there had been a loss in small business customers to Orange in some areas, both of which had affected the business mix.

New business subscribers amounted to only 4,300, against 154,000 last year, which contributed to a fall in business's share in the subscriber base from 60 per cent to 50 per cent.

Churn, the rate at which customers switch off from the network, declined from 28.5 per cent to 24.9 per cent. Measures heve been taken to tackle frand, which is expected to cost the company £10m this year, and which is forecast to halve next year.

Operating losses in the group's international business fell from £25m to £18m. All the overseas businesses are expected to be profitable by 1996-97.

● Vodafone said yesterday that Globalstar, one of five consortia racing to launch the first satellite hand-held mobile telephone eervice, has been awarded e 160mHz waveband, e significant step forward in its development plans.

Lex, Page 16

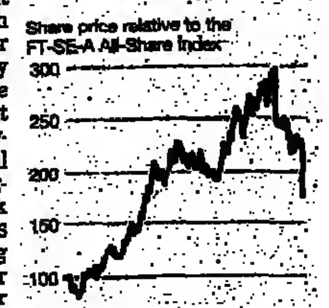
LEX COMMENT

De La Rue

De La Rue has come to the end of a phenomenal print run. After compound growth of almost 40 per cent over the past four years, the City expects earnings per share to fall by about 10 per cent in the current year. Following a period of exceptional demand from newly-emerging Russian states, the bank note printing operation is reverting to its underlying growth rate of about 4 per cent a year – a fact that Mr Jeremy Marshall, chief executive, has been warning about for some time. On top of that, the cost cutting and disposal programme, which has done wonders for margins, is all but complete. And the £680m acquisition of paper maker Portals, for which De La Rue vastly overpaid, will dilute earnings this year.

De La Rue

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

With only a limited rebound in prospect for 1997 – best estimates are for earnings growth of perhaps 5 per cent – De La Rue clearly deserves to lose its growth tag. Yesterday's 20 per cent fall in the shares has already pulled the stock back to a market average rating. At first sight that appears justified by the group's strong market positions and high margins.

De La Rue is much less subject to wild swings in selling prices or raw material costs than Arjo Wiggins Appleton or Rexam. But bank note printing has still turned out to be both more mature and more volatile than investors had appreciated. Coupled with a setback in payment systems, which the management sees as e growth business, that is likely to put further downward pressure on the share price.

Japanese expansion planned

Cable and Wireless is to start re-selling privete international telecommunications lines in Japan from next month, writes Michiyo Nakamoto.

The decision to enter the market follows deregulation of tbe sector by the Japanese Ministry of Posts and Telecommunications in April.

C&W will use its own private lines and those of International Digital Communications, tbe Jepanese international telecommunications carrier in which it has e 17 per cent stake.

The company plans to offer customers private interne-tional lines at costs about 20 per cent lower than those charged by Japan's main international carriers sucb as KDD.

Initially it will connect corporate customers in Japan with points in the US but the company plans to expand business to the UK, Canada and Australia next year.

However, C&W is looking several years ahead when it expects further dereguletion to expand significantly tbe market for its services.

Cable and Wireless opts for a safe pair of hands

By David Blackwell

Mr Brian Smith has been called back to heal the rifts at Cable and Wireless less than four months after retiring as a non-executive director.

Mr Smith, 67, served as a non-executive for seven years, and is seen as ideal for the role of non-executive chairman. "The people on the board had presumably nailed their colours to the mast on one side or the other," said one observer yesterday.

"He had not – and he knows the business and the industry well."

He was chairman of C&W's audit committee and a member of the remuneration comitte.

Although he had retired from C&W, Mr Smith already had plenty to keep him occupied.

He is chairman of BAA, the airports group, Hydron, and the Heatherwood and Wexham Park Hospitals Trust. He is also a non-executive director of Berisford, which owns the Magnet kitchens business, and a member of the Oxford diocesan board of finance.

Brian Smith: knows the business and the industry well

Mr Des Wilson, corporate and public affairs director at BAA, described Mr Smith as an "extremely able and popular chairman". He added: "I can't imagine anyone better qualified to help a company through a traumatic time."

Mr Smith is also liked by City institutions, which were cheered by news of his appointment. "He will be a good chairman," said one big institutional investor in C&W.

Before joining the telecoms group, Mr Smith was chairman and chief executive of Metal Box, which he joined in 1985.

He oversaw the transformation of the MB Group into two companies.

For most of his career Mr Smith was with ICI. He joined the chemicals group after leaving Manchester University, where he took a doctorate in physical chemistry.

By 1975 he was chairman of ICI's fibres division, where he started a big reorganisation. In 1978 he joined the main board, later spending two years in the US, where he became chairman of ICI America.

He also served as president of the British Textile Confederation and chairman of the Economic Development Committee of the Wool Textile Industry.

Mr Smith, who was made a CBE in 1980, is a Freeman of the City of London and a Liveryman of tha Worshipful Company of Glovers.

UB sells most of US salty snacks assets

By Roderick Oram, Consumer Industries Editor

United Biscuits has sold most of the assets of its US salty snacks business, almost completing the disposal of its Keebler business and exit from the US.

A group of investors is paying $8m for the brands, US distribution rights, an Indiana plant and 200 van sales routes. UB will close two other plants in Texas and Pennsylvania with the loss of 320 jobs.

It hopes proceeds from site and equipment sales will more than cover closure costs.

"This is a serious give-away," said one analyst. The business had a net asset value of $119m last December, but City hopes for its sale were modest because the business lost $21m on sales of $219m last year in ferocious competition with PepsiCo's dominant Frito-Lay brand.

Conpled with the recent sales of Keebler's cookie and cracker business and frozen foods business, United Biscuits will raise almost $600m in cash from the disposals. The proceeds will cut debt and gearing which had risen to £636.3m and 93 per cent by July.

The Keebler assets were carried on the 1994 balance sheet at $510m. In addition, $67m of goodwill was previously written off to reserves.

Doubts over MAID's planned Nasdaq listing

By Paul Taylor

MAID's plans for a US public offering and listing on the Nasdaq hung in the balance last night after the online business information supplier was told by its Wall Street advisers that its London share price was way above the level US institutions were willing to pay.

Hambrecht & Quist, the US investment bank edvising MAID, told the company that demand for the 19.6m new shares on offer was firm et about 240p, well below recent levels in London.

Under Stock Exchange rules the placing price in the US cannot be et more than a 10 per cent discount to the London market price. As a result MAID conceded yesterday that the US public offering could only go ahead if the London price dropped to about 265p.

In the wake of the warning, MAID's shares fell sharply and closed 38p lower at 269p. The issue price in the US was to be struck last night.

Rest of Broadgate for British Land

British Land has announced £270m ($426m) of acquisitions and its second equity issue inside a year. The company said it was buying a large portfolio of retail properties and was close to taking full control of Broadgate Properties, the holding company for 1m sq ft of prime City of London offices, with an agreement in principle to pay £120m for the outstanding 50 per cent.

British Land is also buying 7 superstores operated by Tesco, the food retailer, and three retail warehouse parks for £148m.

It is raising £222.5m through e placing and open offer of shares et 370p, underwritten by SBC Warburg and UBS.

Simon London

Lonrho defends Gencor deal

Lonrho has accused Mr Tiny Rowland, its former chief executive who was removed from the board earlier this year, of being "out of touch with the realities of the situation". It was responding to Mr Rowland's advertisement in yesterday's Financial Times attacking the proposed merger of Lonrho's platinum interests with those of South Africa's Gencor.

Mr Rowland said the terms of the merger did not offer a fair price for the loss of ultimate control of its largest asset.

The company said: "A full and detailed circular has been issued to all investors and we suggest Mr Rowland would use his time more productively by reading it. The board of Lonrho, advised by Morgan Grenfell, is confident that the proposed transaction is in the best interest of all shareholders."

It also pointed to the positive reception the proposed merger has had in the City.

David Wighton

Govett to retain US fund side

Govett & Co, the investment company, has reversed the strategy announced in April and now intends to retain its US fund management operation and is resuming its search for e significant fund management acquisition in the US.

The move marks the second U-turn in a year by Govett. Last February, it announced plans to acquire Duff & Phelps, the fixed-interest US fund management company, but decided to abandon that deal after Govett was charged with fraud and negligence by an investment trust Govett once managed.

Mr Michael Mayer, chief executive of the Govett Asset Management division, said conclusion of legal proceedings in the US and the absence of an acceptable bid for both the US and UK fund management companies had led Govett to conclude it need not sell GAMCo, its US arm. Allied Irish Banks is understood to be close to concluding a purchase of the UK fund management operations for £105m.

Norma Cohen

Lottery group on track for £300m

By Raymond Snoddy

Camelot, the operator of the Nstional Lottery, appears to be on track to make profits of more than £300m ($474m) after tax during the seven-year life of its licence if present trends continue.

In the 24 weeks to September 16 – the first half-year period when there was a full contribution from both the on-line game and the Instants scratch cards – it made an after-tax profit of £23.6m. The profit, after lottery duty of £301.2m, a non-returnable VAT charge of £12.6m and tax of £12.6m, amounted to 0.9 per cent of total sales of £2.51bn.

Prizewinners took £1.27bn, or 50.7 per cent, and the five "good causes" £678.8m, or 27 per cent. Retailers received £128.3m, or 5.1 per cent, and Camelot's running costs totalled £82.7m, 3.3 per cent of revenue.

Sir George Russell, chairman, said the UK lottery was one of the largest, most efficient and populer in the world, attracting 30m regular players.

Camelot, which incurred capital expenditure of £115m, is paying a first dividend to its five shareholders of £9.5m. The cost of putting the lottery licence bid together was £10m.

The Camelot consortium is made up of Cadbury Schweppes, De La Rue, the security printer, G-Tech, the lottery equipment company, Racal Electronics and the computer group ICL.

Even though the lottery has performed better than expected, Camelot is sticking to its forecast that revenues will total £32bn over the life of its licence and that after-tax profit will average less than 1 per cent. With e gradual upward trend in ticket sales and the possibility of introducing e new mid-week game if sales flag, total profits of £300m seem ettainable.

Yesterday Mr Tim Holley, Camelot chief executive, emphasised that the company was likely to face increasing competition in the gaming market.

Under its licence agreement any revenues of more than £3.7bn e year only yield 1.65 per cent for Camelot to cover costs and profit, and a greater proportion goes to good causes.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adare Printing ǂ	6 mths to Oct 31	34.4	(20)	4.1	(0.798)	27.7	(8.77)	2.079	Feb 21	1.0395	-	2.342
Amber Industrial	6 mths to Sept 30	12.8	(11.8)	1.88	(1.87)	6.7	(6.6‡)	1.75	Jan 16	1.75‡	-	5.625‡
Anglo Irish Bank ǂ	Yr to Sept 30	-	(-)	19.1	(14.5)	5.7	(5.02)	2	Jan 17	2	3.38	3.36
Baris Φ	6 mths to Aug 31	8.2	(5.4)	0.18	(1.46L♠)	1.2	(20.5L)	nil	-	nil	-	nil
CML Microsystems §	6 mths to Sept 30	8.75	(9.55)	0.725	(1.7)	3.38	(6.39)	-	-	-	-	6.1
Cosalt	53 weeks to Sept 3	73.2	(68.4)	2.8	(2.58)	15.96	(14.17)	5.5	Jan 24	5	8.75	8
De La Rue	6 mths to Sept 30	347.4	(323.9)	68.1	(72.8)	23.1	(28.1)	7.25	Jan 19	7	-	23
Faupel Trading	6 mths to Sept 30	12	(13.4)	0.337	(0.546)	1.93	(3.13)	0.7	Feb 14	1.85	-	4.9
Hewetson	6 mths to Sept 30	22.4	(22.3)	0.47	(0.92)	2.11	(5.21)	0.75	Mar 29	0.75	-	2.5
Kalamazoo	6 mths to Sept 30	32.4	(28.3)	2.01♥	(3)	33.68	(4.98)	1.1	Jan 26	1	-	3.75
Lowndes Lambert	6 mths to Sept 30	45.5	(43)	6	(6)	6.9	(6.9)	2.9	Feb 5	2.75	-	8.25
Mansfield Brewery	6 mths to Sept 30	74.2	(66.5)	9.48	(8.76)	10.34	(9.36)	1.7	Dec 22	1.5	-	5.2
McLeod Russel	Yr to Sept 30	118.1	(109.7)	8.61♥	(6.36♠)	11.63	(8.54)	3.65	Jan 29	3.45	6.4	8.2
Northern Foods	6 mths to Sept 30	967.3	(952.8)	53.1♠	(53.7♠)	6.55	(6.37)	3.5	Mar 22	3.5	-	8.8
Northumbrian Foods	6 mths to Sept 30 ★	13.5	(12.3)	0.371	(0.355)	0.6	(0.58)	nil	-	nil	nil	nil
NSM	6 mths to Sept 30	54.4	(62)	2.52♥	(2.71)	3.9	(6.9)	1.5†	Jan 23	-	-	4
Readicut Intl	6 mths to Sept 30	112.7	(100.7)	2.77♠	(5.41)	0.91	(1.83)	0.63	Feb 7	0.63	-	3.44
Shanks & McEwan	6 mths to Sept 30	56.9	(69.7)	10.8	(9.82)	3.7	(3.6)	1.2	Jan 12	1.1	-	3.3
Sketchley	6 mths to Sept 30	71.4	(74.5)	4.32	(4)	5†	(4.5)	1.1	Dec 21	1	-	3.4
Thorn EMI	6 mths to Sept 30	2,194	(1,937)	179.7♥	(124.8♠)	25	(16.9)	10.5	Mar 1	9.75	-	38.5
Vodafone	6 mths to Sept 30	666	(561)	208	(186)	4.39	(3.92)	1.97	Feb 12	1.64	-	3.34

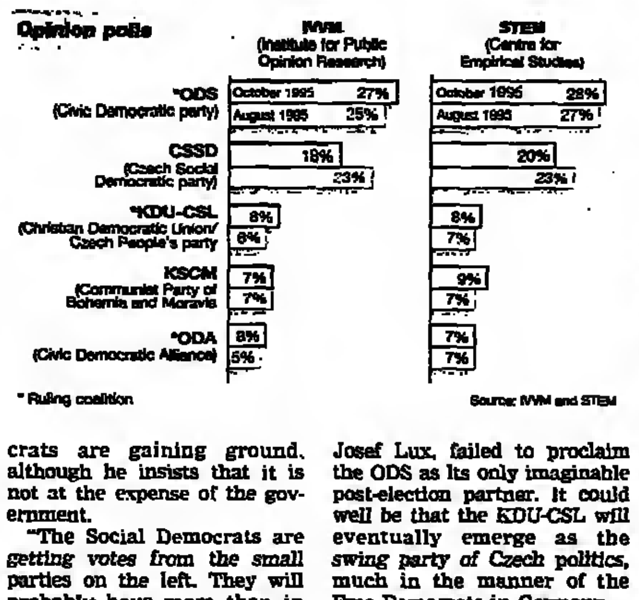
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baring Stratton	6 mths to Sept 30	271.7	(246.3)	0.127	(0.193)	1.01	(1.53)	-	-	-	-	2.29
City Merchants		-		-		-		2.25#	Jan 12	2	-	9
Fulcrum	6 mths to Oct 31	41.6	(47.09)	0.625	(0.565)	5.57	(5.03)	1.4♦	Dec 29	1.4	-	8.85
RIT Cap Partners	6 mths to Sept 30	251.4	(242.8)	1.6	(4.1L)	1.02	(2.28L)	-	-	-	-	1.58
Shires	6 mths to Sept 30	283.1	(256.8)	2.49	(2.3)	8.03	(8.42)	8.3	Jan 31	8.3	-	16.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ǂIrish currency. ‡Restated after share subdivision. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. ★Comparatives restated. #Third interim; makes 6.75p to date. ♦Second interim; makes 2.8p to date.

■ **Politics:** by Kevin Done

Two opposing forces begin to consolidate

The Civic Democratic party (ODS) led by Prime Minister Vaclav Klaus is the strongest force to emerge from Civic Forum



Six years after the turmoil of the Velvet Revolution, the Czech political system is taking on a more conventional shape as it begins to consolidate around two main opposing forces, the right-wing Civic Democratic party and the Social Democrats.

Several of the smaller parties also spawned by the break-up in 1991 of Civic Forum, the movement that filled the immediate political vacuum following the collapse of communism, are unlikely to survive next June's general election.

A consistent series of opinion polls suggests that only five parties will achieve the minimum 5 per cent of the votes necessary for representation in the main lower house of parliament.

The Civic Democratic party (ODS) and the Social Democrats (CSSD) are likely to be joined by the unreformed Communist party, which continues to gain around 7 per cent of support in most opinion polls, as well as by the two junior partners in the present coalition, the Civic Democratic Alliance (ODA) and the more centrist Christian Democratic Union/Czech People's party (KDU-CSL).

The Civic Democratic party (ODS) led by Mr Vaclav Klaus, prime minister, is the strongest force to emerge from Civic Forum and has dominated Czech politics for nearly four years, helped by a highly fragmented opposition.

As next June's general election approaches, the ODS faces the prospect of having to confront a much more cohesive opposition in future, because the Social Democrats led by Mr Milos Zeman appear set to make the biggest gains from the demise of the smaller opposition parties.

From a position where they gained only 6.5 per cent of the votes and 8 per cent of the seats in the 1992 election, the Social Democrats have emerged as the second-largest party in a string of opinion polls regularly gaining about 20 per cent support. Their backing peaked at 23 per cent in August this year, but it was still running at 18-20 per cent in polls published last month.

Even Mr Klaus, who remains supremely confident of victory in next year's election, concedes that the Social Democrats are gaining ground, although he insists that it is not at the expense of the government.

"The Social Democrats are getting votes from the small parties on the left. They will probably have more than in the last election. But in principle the balance between the parties of the left and the right will be very similar," he says.

At the last election, the left still suffered from a general lack of trust from the electorate, but Mr Zeman insists that the Social Democrats are now gaining ground.

"Three years ago we were still the party of the old and the less educated, but the structure of our support has changed dramatically. In polls in June we had 2 per cent more support than the ODS from young, educated voters."

> Few political observers believe that the ODS can be unseated next year

Few political observers believe that the ODS can be unseated next year, but the Social Democrats will have achieved much if they can become the second-largest party and can develop as an opposition force able to offer itself as a credible alternative government later in the 1990s.

The left wing will in any case remain split, because Mr Zeman rules out any suggestion that the Social Democrats could enter a coalition with the Communist party. "We can exclude coalitions with the Communists on one side and the ODS on the other," he says, "but I cannot exclude coalition with some other members of the present government."

The bigger threat to the ODS-led government appears to come from within the ranks of the coalition itself. The recent congress of the Christian Democrats, led by Mr Josef Lux, failed to proclaim the ODS as its only imaginable post-election partner. It could well be that the KDU-CSL will eventually emerge as the swing party of Czech politics, much in the manner of the Free Democrats in Germany.

At the same time Mr Klaus' other coalition partner, the Civic Democratic Alliance (ODA) has appeared vulnerable in recent months with its opinion poll support hovering close to the crucial 5 per cent level. Its support has nearly halved since January because it became embroiled in various scandals. Mr Jan Kalvoda, the ODA leader, and Mr Vladimir Dlouhy, the industry and trade minister and the ODA's most popular politician, face a tough challenge to restore confidence and to present a platform that distinguishes the party from the ODS.

Mr Dlouhy insists that the party has come through "the period of crisis," however, and that its support has stabilised.

"We want this coalition to continue. We would not join with the Social Democrats, even if they were to win and Klaus loses. The Christian Democrats would go with them [the Social Democrats], if necessary. We would go into opposition."

While a more simplified political landscape is likely to emerge in the existing lower house of the Czech parliament, the Chamber of Deputies, with the elimination of several small parties in the election, the picture could be complicated by the plan to create a new upper house, the Senate.

In an important constitutional reform, election to the Senate will be based on simple majority, first-past-the-post voting from 81 constituencies, unlike the system of proportional representation used for the existing 200-member lower house.

It is still to be decided whether elections for both houses will be held on the same day next summer – the alternative preferred by Mr Klaus – or whether the vote for the Senate will be postponed until the autumn.

■ **Interview with Prime Minister Vaclav Klaus:** by Kevin Done and Vincent Boland

'Fastest privatisation process'

Czech Prime Minister Vaclav Klaus emerged into the international spotlight after Czechoslovakia's Velvet Revolution in November 1989. First as federal finance minister and later as prime minister of the Czech Republic, he has dominated the process of economic reform.

Intellectually combative with friends and adversaries alike, he has consistently preached the virtues of the market economy and has implemented what he claims to be "the fastest and most comprehensive privatisation process."

Fond of his status as an economist, he has recently been appointed by President Vaclav Havel – on the recommendation of the education minister – as professor of finance at Prague School of Economics.

He leads one of the most stable, centre-right governments of all the transition states of central and eastern Europe, and appears supremely confident that his Civic Democratic Party-led coalition government will be returned to power in next summer's general election.

Question: What are the big ideas that you will put forward in next year's election campaign?

Answer: Even if we are in what we usually call the post-transformation stage, the main idea for the coming election campaign is the slogan of continuity; continuity of policies that started three years ago. It is not a time to start with new programmes or new breakthroughs.

Economic growth in the Czech Republic has lagged behind some other countries in central and eastern Europe, such as Poland. Why did it the take the Czech Republic longer to come out of recession?

First, I have tried a hundred times to explain to observers from foreign countries, from the western world, that the term recession is a nonsense – it should not be used, it does not explain anything.

In this country, as in all other countries (of eastern Europe), we were dealing with what I prefer to call transformation shake-out, a shake-out of non-viable economic activities, which could exist only in protected Comecon markets, with distorted price structures and with huge subsidies.

The faster those activities were squeezed out and eliminated the better. The deeper the shake-out the better. The social, political and economic transformation – the systemic change – was not about GDP growth.

Our GDP decline was just two years, 1991 and 1992. This is relatively a very, very short period of time.

In 1994, GDP grew by 2.6 per cent. In 1995, until now, it is 4 to 4.5 per cent, and the forecast in the government budget for next year is 4.8 per cent, so for me that is sufficient economic growth.

Artificial attempts to accelerate growth would create more pressures, faster inflation. When you put together inflation, unemployment, GDP growth, the results of the Czech Republic are incomparable. You can take the figures yourself; this is not my self-praise or anything like that.

Are there any particular problems that could interrupt this growth?

I do not think so. It seems to me that the only potential bottleneck or problem could be the low unemployment rate. We are afraid that accelerating growth can bring more pressures in the labour market, wage pressures, price pressures and inflation. Disinflation is an important policy of the Czech government.

You are facing paradoxical pressures for both devaluation, from a growing trade deficit, and for revaluation from heavy capital inflows. How can you resolve this problem?

The combination of a deficit in the trade balance with a surplus in the balance of payments is a quite natural phenomenon of the early post-transformation stage. So this is not a paradox, it is a paradigm. It is quite natural that with the visible acceleration of economic growth and especially the growth of industrial output and construction, you will have an acceleration of imports.

And you have a diversion of exports to domestic consumption, not just to personal consumption, I mean to investments and so on. It is quite natural that during the transformation shake-out companies are not able to find sufficient demand at home, and so they export. Now this year is a surprise for them – there is domestic demand – so some of our very successful exporters of the last few years simply decided to divert part of their exports (to the domestic market).

So the short- and medium-term trade deficit is easily explained, and in my opinion it cannot be avoided. This is my professional view as an economist and not just as prime minister.

At the same time, I think that the credibility of the country is so high that there is a very rapid inflow of foreign capital into the country, which means that the balance of payments is in a visible surplus.

The solution to the equation is relatively simple. In the short to medium term, the trade deficit must be financed using the surplus in the capital account.

What are the implications for exchange rate policy?

There is no reason to change. There is no reason to devalue, because that would not solve, in the short term, the balance of trade problem, and a small revaluation would not solve, in my opinion, the rapid inflow of foreign capital.

What is the long-term economic growth potential of the Czech Republic, and how long will it take to catch up with western Europe?

Our task is to complete the


Vaclav Klaus: 'We were dealing with transformation shake-out'

systemic change; to become a normal western European country in every respect. But definitely I expect much faster economic growth than in the average EU country for the foreseeable future – nothing more, nothing less.

Our GDP per capita in 1994 (using purchasing power parity) was approaching or was at the level of the countries with the lowest GDP in the EU, such as Portugal and Greece.

What are the changes that must happen for the Czech Republic to become in your words "a normal country"?

It seems to me that the transformation is more or less over. In a debate with my group of economic colleagues and advisers I asked them: Please, with all your dramatic liberalism in your heads, give me the remaining systemic changes we have to make or announce as next year's targets, as I prepare my speeches for New Year's Eve. Practically we have not discovered anything as a Transformation Measure with a capital T and a capital M.

If systemic change is completed, where do you go from here?

We will move to more or less standard debates as in your country. Three-and-a-half years ago, in the last election campaign, the promise was to introduce tax reform. To introduce a totally new tax system after 40 years of communism was the transformation measure. Now we are making amendments to the tax laws and talking about what the rate should be. So we are moving more and more towards standard issues and standard questions.

What is your assessment of the mood of the country, and of the electorate?

I think there is a unique stability in the mood and in electoral preferences. This is one of the advantages of the Czech Republic. The economic stability is well known: the fact that we have succeeded in increasing real wages every year with the exception of 1991, the year when prices were liberalised. Take the unemployment figures and the inflation figures: that is economic stability.

Socially, if you look at the relative stability, there are no strikes, demonstrations or confrontations. That is another constant of the Czech situation.

This government is the longest-functioning government in this country since the break-up of the Austro-Hungarian Empire in 1918 and the birth of the modern Czechoslovak or Czech state. I hope that stability will continue. I don't expect an earthquake in the elections.

The Social Democrats are getting votes from the small parties on the left. They will probably have more than in the last election. But in principle the balance between the parties of the left and the right will be very similar.

How stable is the current coalition?

Coalition is always a problem in every country in the world. Only Britain and the United States have the advantage of not having coalition government. But even in these countries the leading parties are more or less coalitions in themselves. I am not sure whether the troubles in a coalition government are much worse than the problems the prime minister of Britain has inside his own political party.

I always preach transparency and clear-cut rules. Having rivals in a coalition party is probably better than having them inside your own party.

You appear to have adopted a rather Euro-sceptic attitude towards the European Union. Is that not a rather counter-productive approach to an organisation that you wish to join?

I disagree with the description that I am a Euro-sceptic. I always argue that I am a Euro-realist, or a Euro-optimist as regards the process of European integration.

For me, European integration, definitely, yes. But from that does not follow that all of us living in Europe have the same idea about the form of European integration. I think that the European Union should be a conglomerate of states.

The basic entity of the European Union should be the state and not the individual European citizen. I am against stronger forms of unification, as are sometimes suggested. I don't believe that the process of European integration should be based on expectations that European feelings will be stronger than the sense of national identity of most Europeans. This is one strong argument.

The second argument is connected with our sensitivity with our past. We probably feel more strongly against headquarters located several thousand kilometres away, governing us and controlling us. Our experiences with Comecon and other entities of the past make us feel more strongly. So we definitely want to have less delegation of authority to supranational entities. All other points are of secondary importance.

How long do you think it will take to gain EU membership?

My project first is to submit our application letter in January during my official visit to Italy during Italy's presidency of the EU. My task is not to fight for early membership; my task is to fight for an early start to the negotiations.

How long the negotiations take is not in my hands. I am not able to fight over the moment when the moon comes out this evening. I *am* able to fight over whether the electricity in this room functions or not.

PROFILE **Milos Zeman, chairman of the Social Democratic party**

Penchant for witty allusions

Few political pundits expect that next summer's Czech general election will lead to a change of government. A natural exception is Mr Milos Zeman, chairman of the Social Democratic Party (CSSD), the largest opposition grouping, which is a good second in opinion polls behind the Civic Democratic Party (ODS) of Mr Vaclav Klaus, the prime minister.

Since it scraped into parliament with 6.5 per cent of the vote and 16 seats in the 1992 election, the CSSD has seen its support rise strongly to around 20 per cent today. The big test for Mr Zeman is whether he can capitalise on that support to win more seats and play a part in the formation of the new government.

The signs are that he will not do so. Mr Zeman ticks off a list of populist themes the party will campaign on, including reforming pensions, education and the crisis-hit health service, tackling corruption and setting up a proper capital markets watchdog. It is also developing an environmental policy.

Much of this ground may yet be covered by the governing parties. Furthermore, the CSSD is hampered by its lack of talent at the top. Next to Mr Zeman, only his deputy, Petra Buzkova, one of the few women in the higher ranks of Czech politics, has any public profile. The biggest difference between the CSSD and the ODS may be the contrast between Mr Zeman and Mr Klaus.

Opinion polls show that Mr Zeman is personally more popular than the prime minister. A plain speaker with a penchant for witty allusions, he lacks the latter's vision and air of grandeur. Mr Zeman refused to take part in the vouchers-for-shares privatisation programme, describing it as "a trick"; a repetition of the old communist myth of ownership of the people by the people."

He is also more at home among working people than Mr Klaus. Both represent a large industrial constituency in northern Moravia, home to giant steel mills, working-class towns, and pollution. Mr Zeman, a tall, shambling, gravel-voiced man who is a heavy smoker, looks more like the people he represents than does the dapper, tennis-playing prime minister.

Mr Zeman claims to be "probably the only [current] party leader" who was on the streets on November 17, 1989, the day the communists fled. Since then he has effectively been on the margins of Czech politics, given the dominance of Mr Klaus. If he emerges as an effective opposition leader after the election, he may yet fulfil a crucial role.

Vincent Boland

THE CZECH REPUBLIC

Next year's election dominates agenda

The poll is crucial for Prime Minister Vaclav Klaus who wants to maintain the steady progress of economic reform, report Vincent Boland and Kevin Done

The Czech Republic is slipping inexorably into election mode. Although a general electioo is not echeduled until June next year, it is increasingly dominating the political agenda, forcing a bout of mergers and acquisitions among political parties and lending an air of urgency to problems that have until oow been set aside in the drive for ecooomic reforms.

The stability that has characterised the country's political and economic transformation should not be unduly disturbed by the vote. Despite a strong showing by the oppositioo Social Democratic party in opinion polls, the conservative government of Mr Vaclav Klaus, prime minister, is expected to be returned unless ooe of the minor coalition parties fails to get into parliament.

While this could happen, all the parties are acting as if it will not. Instead, they are manoeuvring for positioo in the crowded centre of the political spectrum, leaving the extremes to the unreformed Communist party on the left and the Republican party, which still hankers after Czechoslovakia, on the right.

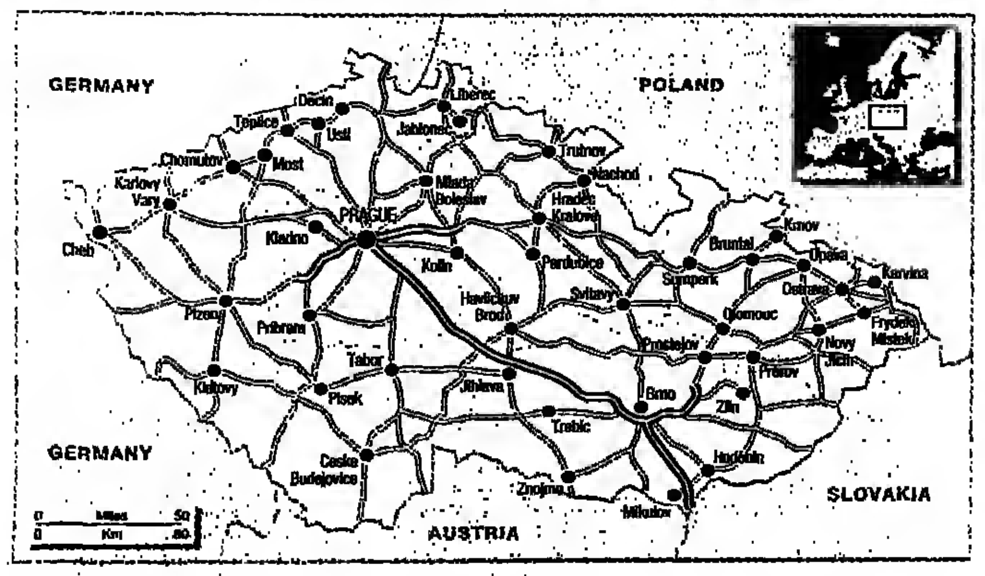
The electioo is nevertheless crucial for Mr Klaus, who wants to maintain the steady progress of economic reform and see it through to the end, and for the opposition, which must emerge stronger if it is to bolster the country's democratic development.

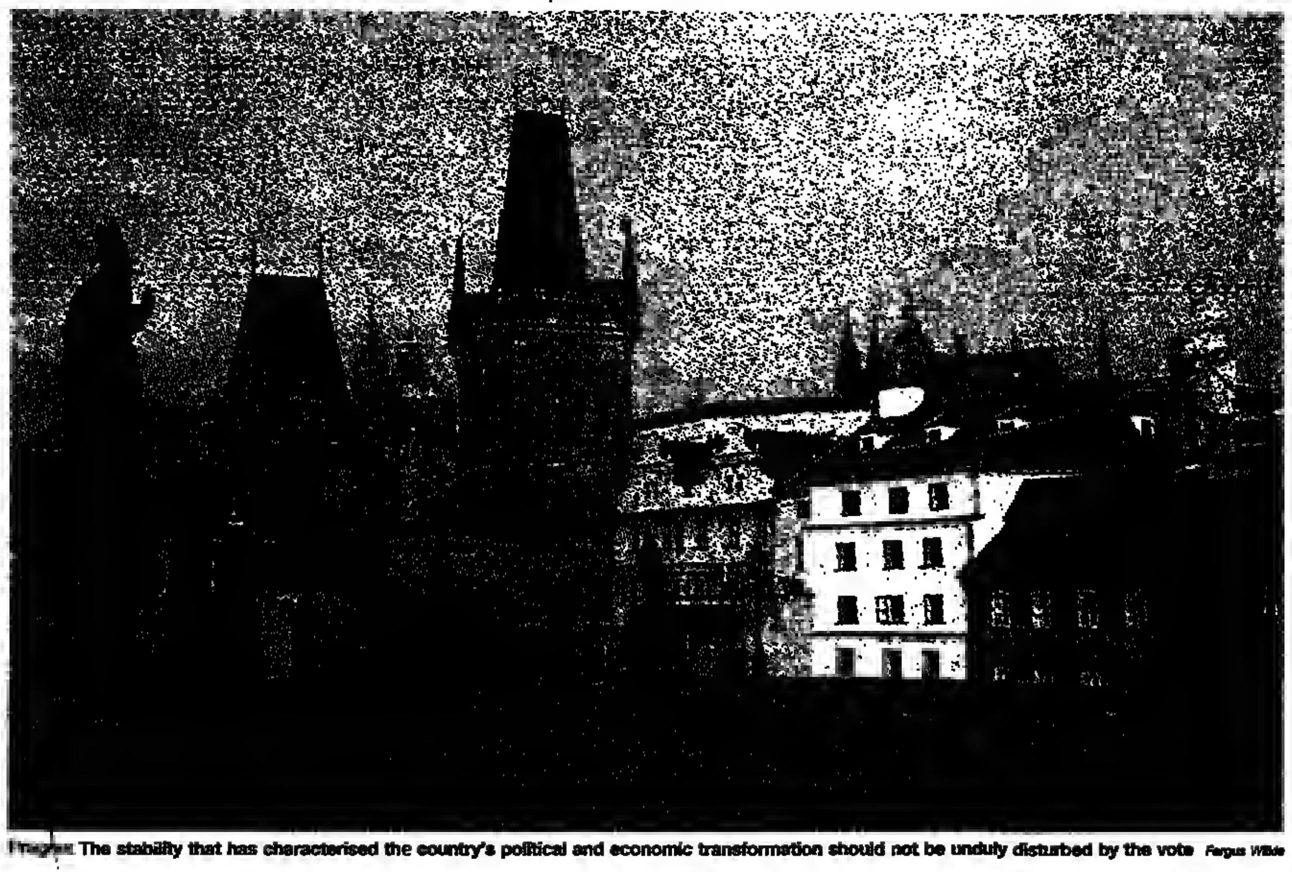
The prime minister points out that his government, in office since June 1992, is the loogest-serving since the break-up of the Austro-Hungarian empire in 1918 and the birth of the modern Czechoslovakia and later the Czech Republic. "I hope that stability will continue. I don't expect an earthquake in the elections," he says.

Stability has been a boon to the ecooomy, which has been transformed from one that was almoet entirely centrally planned under communism into a dynamic market economy with an extensive and increasingly robust private sector. For many observers, one of the country's virtues has been that it did not change its government half way through the reform process, as other emerging democracies in the region have done.

Now that responsibility for economic reform has bean passed from the state to the private sector, the government is coming under increased pressure to tackle some of the social and political effects of the changes. It is these – rather than any opposition to economic reforms, which remain widely popular – that will set the tone of the election campaign.

With economic and financial matters dominating the agenda since 1992, voter-sensitive issues such as education, health and welfare have been overlooked. Although spending on the health service, for example, has more than doubled from about Kč40bn in 1991 to nearly Kč90bn this year, the system is in a mess.




Prague: The stability that has characterised the country's political and economic transformation should not be unduly disturbed by the vote *Fergus Wilde*

Doctors bave been enraged by the deterioration of the service and complain bitterly about how their pay and social status – always an important factor for Czech people – have collapsed since 1989. Some of them went on strike for a day on November 1 and have taken to sending administrative work to the health ministry, creating a massive postbag for Mr Jan Strasky, the newly-installed minister who has little choice but to send it back.

The governmeot has been slow to react to this mounting crisis, which could cost billions of koruna to sort out, because it wants to see the state's share of health costs reduced. Ministers have tended to allow themselves to be backed into a corner before being forced to settle with angry groups of workers in other sectors, among them railway employees who wrung big concessions earlier this year including a clean sweep of the management of Czech Railways.

Many accuse the government of simply ignoring problems such as these. "Until you start yelling and making demonstrations and striking they oever listeo to you," says Mr Richard Falbr, head of the Czech council of trade unions.

Mr Falbr estimates that the wages of 30 per cent of Czechs have fallen since 1989; 20 per cent are about the same, and the rest have risen by varying amounts. With ecooomic growth expected to be a robust 4-4.5 per cent this year, unions are pushing for a rise in the minimum wage from Kč2,200 a month and for wage settlements for next year of 8 per cent, when gross domestic prodnct growth is targeted at about 5 per cent.

Czechs have long been used to a relatively high standard of living. Former Czechoslovakia was an economic powerhouse between 1919 and 1938 and later "was always first among the socialist states", Mr Falbr says. But inflation has eaten into modest salaries since the end of communism and although it is likely to fall to about 8 per cent this year it has led to that common complaint among workers in the new ecooomies: eastern salaries and western prices. How political parties react to these issues will become clearer as the campaign gets under way in earnest next year.

The social democrats are pushing a populist line cooceotrating on pension and welfare reform and cleaning up business and the stock market, which are almost unregulated.

The Civic Democratic Alliance, a small government party, is seeking to emerge from the shadow of the prime minister's Civic Democratic party (ODS), the dominant partner in government, by stressing the need for accelerated industrial restructuring and microeconomic reforms.

Mr Klaus, meanwhile, says the ODS can run on its record. A milestone in the country's advance will be achieved on November 24 when the Czech Republic is invited to join the Organisatioo for Economic Co-operation and Development. Earlier this month it became the first post-communist country to achieve an "A-stable" investmeot grade rating from Standard & Poor'e, the US credit rating agency.

The rating and OECD membership are likely to see the country move up the league table of investment locations. Direct foreign investment into the Czech Republic is already high, standing at $5.3bn at the end of September (since 1990). With a consolidation of industry expected now that mass privatisation is over, more is expected to flood in.

On October 1, tha koruna took a big step towards full convertibility when current account transactions were fully liberalised and capital account transactions partly freed. The Czech National Bank is now mulling a change in its exchange rate policy which may involve a widening of the band against which the koruna trades against a DM/$ basket.

The band is currently 0.5 per cent either side of parity. With pressure both for a revaluation, to curb speculative capital inflows, and for a devaluation to boost sagging exports, the CNB is reluctant to have its hand forced. Mr Josef Tosovsky, CNB governor, says the bank is conscious of the need for more flexibility but wants to avoid a shock to the system.

"We are thinking about how big this flexibility should be and what problems it would create and solve," Mr Tosovsky says. "If our intention is to eliminate short-term speculative capital, then limited flexibility would be sufficient. If we think about future competitiveness, more flexibility will be needed."

Bankers say a change to the band, widening it to 3 or even 5 per cent either side of parity, could be introduced before the end of the year. The size of the change will depend on whether the issue of short-term capital inflows, which make inflation difficult to fight, or the widening trade deficit, wins the argument. The former is a monetary question, the latter more political.

If action is taken it could be the last significant policy move before the election. Strategic privatisations are likely to take a back seat until after the vote. The state is still a big shareholder in the politically sensitive banking and energy sectors but, despite mixed signals from the government about the timing of further sales, none is likely to be implemented until the election is out of the way.

Czechs might welcome a breathing space, given the pace of change since 1992. Mr Klaus, whose political antennae are finely tuned, is too pragmatic to stir up unnecessary controversy. In January, be is due to present the Czech application for membership of the European Union to the Italian EU presidency. The country is considered to be first in the queue of east European states for EU membership, but the government wants negotiations on entry to start as soon as possible, regardless of the data of joining.

Milestones in transition

Vincent Boland reviews the most important dates in recent Czech history:

● **November 1989:**
Communist government resigns in disgrace after mass peaceful demonstrations in Wenceslas Square, led by students and dissidents.

● **December 1989:**
Playwright and dissident Vaclav Havel becomes president of Czechoslovakia.

Provisional civilian government appointed, with Vaclav Klaus as federal finance minister. Conservative market-oriented economic policy adopted.

● **June 1990:**
First post-communist general elections. With oew states emerging throughout eastern Europe, first stirrings emerge of Slovakia'a desire for independence.

Government prepares privatisation programme using a system of coupons which will be sold to citizens for a nominal sum which they can exchange for shares in state companies. It also begins returning private property nationalised by communists in 1948 to original owners or their descendants.

● **December 1990:**
Central bank devalues Czechoslovak koruna and makes it internally convertible. Reform of banking sector begins after old state bank is broken up into commercial units.

● **April, 1991:**
Privatisation drive gains momentum. Volkswagen of Germany signs agreement to buy 70 per cent of Skoda Automobilova, one of the country's most important companies, for DM1.2bn in the first big-ticket sell-off. Ambitious investment programme planned at Skoda and although it would later be scaled down the Skoda-Volkswagen deal triggers growing interest among foreign investors.

● **May 1992:**
First wave of coupon privatisatioo begins. Some 10m Czechs and Slovaks have bought coupon booklets for Kčs1,000 each and begin to select shares of about 1,000 state companies included in the wave. Companies include main commercial banks and industrial groups.

Investment funds established by banks and others to invest in companies on behalf of the public attract an enthusiastic response after initial hesitation.

● **June 1992:**
General elections held, dominated by the issue of the dissolution of Czechoslovakia. Klaus becomes Czech prime minister, Vladimir Meciar becomes prime minister of Slovakia. Talks on split begin in earnest. Referendum ruled out. Elections will henceforth be held every four years.

● **July 20, 1992:**
President Vaclav Havel, who opposes break-up of federation, resigns as president.

● **December 20, 1992:**
Czech Republic joins Central European Free Trade Area with Slovakia, Poland and Hungary.

● **January 1, 1993:**
Federal Republic of Czechoslovakia dissolves at midnight on New Year's Eve amid relatively muted celebrations on both sides. Czech Republic and Slovakia emerge as newly independent states and begin to move their separate ways. Both countries immediately win international recognition.

● **January 26, 1993:**
Havel reappointed president of Czech Republic by parliament.

● **February 7, 1993:**
Monetary unioo with Slovakia ends. Czech koruna becomes official currency.
Czech-Slovak customs union *in place to ensure no* interruption to mutual trade.

● **June 22, 1993:**
Prague stock exchange, already trading bonds, begins dealings in shares of companies from first wave. Share prices gradually begin to rise. Foreign investors, encouraged by political stability and pace of economic reforms, seek opportunities.

● **June 30, 1993:**
Czech Republic joins the Council of Europe.

● **January 1994:**
Second wave of coupon privatisation begins, with more than 860 companies on offer to citizens. Share prices of first-wave companies begin to peak on the stock market, foreign investors take profits, and prices begin a long, slow descent.

● **March 1994:**
Czechs agree to join Nato'e Partnership for Peace initiative while continuing to push for full membership of the alliance.

● **April 1994:**
Sensational trial of a secret service agent accused of blackmail by Viktor Kozeny, successful investment fund pioneer, in a case that momentarily threatens privatisation process. Agent convicted; Kozeny abruptly leaves the country complaining of media attacks. *He has yet to return.*

● **February 1. 1995:**
Czech Republic becomes associate member of the European Union. It is already at the head of the queue of central European states for full membership.

● **March 1, 1995:**
Second-wave shares begin trading on the stock exchange, which becomes the biggest in central Europe based on the number of quoted companies (about 1,800). Prices do not immediately recover.

● **June 28, 1995:**
PTT Telecom Netherlands and Swiss Telecom take 27 per cent stake in SPT Telecom for $1.45bn; Europe's biggest cross-border telecoms deal at the time.

● **October 1, 1995:**
Czech koruna becomes fully convertible for current account transactions and partly convertible for capital account transactions.

● **October 20 1995:**
Final negotiations begin on entry into the Organisation for Economic Co-operation and Development. Membership expected by year-end.

● **January, 1996:**
Government to apply for membership of the European Union.


November 21, 1989: Tens of thousands of demonstrators crowd into Wenceslas Square, Prague *Picture: AP*

■ **Tourism:** by Kevin Done

Dynamic source of foreign exchange

The crowds of foreign tourists that flock all year round to Prague in admire the medieval and baroque splendours of one of Europe's most beautiful cities have had a powerful impact on the Czech economy.

Tourism was one of the first sectors to flourish in the wake of the Velvet Revolution. It has become a dynamic source of foreign exchange earnings; a welcome counterweight to the country's growing trade deficit, and has provided a crucial source of new jobs to balance declining employment in sectors such as manufacturing industry.

Foreign currency earnings from tourism jumped by 26 per cent to $1.97bn last year, according to the Czech National Bank, which estimates that earnings rose by a further 23 per cent in the first half of this year to about $1.15bn. Earnings from tourism have grown almost five-fold since 1990.

The sector accounted for abont 5.5 per cent of the Czech Republic'a gross domestic product (GDP) last year and earnings were equivalent to more than 14 per cent of the value of Czech exports.

With its central location in Europe, more than 97 per cent of visitors from abroad arrive by car in the Czech Republic, undeterred by the poor state of the roads and the heavy traffic that clogs the main rontes through the country.

More than half of these visitors stayed in Prague.

According to figures from the Ministry of Economy, of the 101m visitors to the Czech Republic last year, about 16 per cent were tourists who spent at least one night in the country. Two-fifths were Germans, and another one-fifth were visitors from Austria, Italy and the Netherlands.

"Tourism was one of the first sectors of the economy to be privatised," says Mr Karel Kostrik, a specialist in the Economy Ministry. "It was the first industry to show the fruits of being in the open market economy. A great many jobs were created and mainly in small enterprises, so they can change very quickly and flexibly."

He admits that more investment is needed now, however, both in the road, airport and rail networks, and in the quality of tourist facilities on offer, if the growth of recent years is to be sustained.

Another challenge is to woo tourists away from Prague – where some key attractions such as Charles Bridge and Old Town Square are already under intolerable pressure in peak seasons – to other destinations in the country, including cities such as Telc and Cesky Krumlov whose historical centres are already inclnded in the Unesco (United Nations Educational, Scientific and Cultural Organisation) list of historical monuments.

The Czech Republic is renowned for its spas, in particular the Bohemian town of Karlovy Vary (Karlsbad), whose 12 hot springs are used in the treatment of the digestive system.

■ **The economy:** by Kevin Done

Recovery gathers pace

The overall achievement in stabilising the economy has been rewarded by a heavy inflow of foreign capital

The recovery that began in 1994 is gathering paca. Tha Czech economy is forecast to grow by more than 4 per cent this year and by more than 5 per cent in 1996.

The rate of inflation is one of the lowest among all the transition economies of central and eastern Europe.

The year-on-year rise in consumer prices has fallen below 9 per cent this year and is expected to show a further modest fall next year.

At the same time, the Czech Republic has maintained one of the lowest rates of unemployment in tha region with the number of jobless accounting for only 2.8 per cent of the workforce in October, which was down from 3 per cent in September.

There are concerns about the widening trade deficit and the development of prodnctivity in industry, but tha overall achievement in stabilising the economy has been rewarded by a beavy inflow of foreign capital.

The Czech National Bank admits that the combination of the rapid deterioration in the trade deficit, together with the "extraordinarily strong" foreign capital inflows, is producing "contradictory" revaluation and devaluation expectations for the koruna, the Czech currency.

Tha presaures on tha exchange rate are posing a serious policy dilemma with the danger that further appreciation of the koruna will undermine the country's competitiveness in export markets – and exports are regarded as the main engine for growth.

The growing trade deficit, caused by a surge in imports, is forecast to rise to about $2.0bn this year and has plunged tha overall current account of the balance of payments into deficit. On the other hand, there will have been a net inflow of foreign capital of $5bn this year, including $1bn of speculativa short-term deposits.

Foreign exchange reserves had jumped from $9bn at the end of last year to $14.9bn by mid-October.

In the short term, the government is expected to widen the present narrow band in which the koruna is allowed to fluctuate, but Mr Vaclav Klaus, prime minister, dismisses fears over the development of the trade deficit.

He describes it as "a quite natural phenomenon of the early post-transformation stage" with rising imports accounted for by growing investment, as industrial output and construction expand.

"In the short to medium term the trade deficit must be financed using the surplus in the capital account," he says.

The Czech Republic's international credit rating has been rising steadily. This munth, Standard & Poor's, the US credit rating agency, raised its assassment of the Czech National Bank's senior foreign currency deht to "A" from "BBB+" and changed its outlook for the country to stable from positive.

S&P said that its latest npgrade acknowledged "the Czech Republic's relatively painless transition from a planned to a market economy, characterised by: socio-political stability, atrong puhlic finances, declining inflation, stable currency, and the continued improvement in the government's already strong internal and external financial position."

S&P says that the biggest challenges facing the country in the medium term involve the modernisation of industry, changes in corporate governance and the strengthening of the banking sector.

Later this month the Czech Republic's ecouomic progress will be reflected too by the landmark official invitation to join the Organisation for Economic Co-operation and Development. It will be the first post-Communist East European country to join the organisation of rich nations, and will become the 26th member of the OECD.

The Czech Republic and Hungary are also the two countries judged by the European Bank for Reconstruction and Development to have made most progress in the process of transition to an open market economy.

In terms of amall-scale privatisation and its trade and foreign exchange system, the Czecb Republic bas reacbed the "atandards and performance typical of advanced industrial economies," says the EBRD in its recently-publisbed *Transition Report 1995*.

The bank estimates that the private sector share of gross domestic product (GDP) in the Czech Republic at around 70 per cent is now the highest in central and eastern Europe, and it says that Prague has gone as far as any of the countries in the region both in large-scale privatisation and in the implementation of effective legal rules on investment.

The process of transition is less well developed in areas sucb as enterpriae restructuring, price liberalisation, competition policy and the reform of financial institutions.

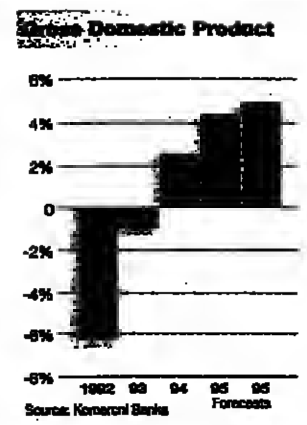
The magnitude of the task of catcbing np with west European economies remains great and will be a "long haul", although Mr Klaus is confident that growth rates in the Czech Republic will now be consistently higher than the average for tbe European Union despite potential serious bottlenecks, sucb as the already very low rate of unemployment.

The Czech Republic was the only country in the region of central and eastern Europe that belonged to the world's most advanced economies before the second world war, and it is still only at the beginning of the road back to rejoining this group.

"While creating the potential for a well functioning market economy and maintaining stability and popular support, the Czech policy makers have so far been unable to foster rapid outpnt, productivity and income growth," says Mr Jan Svejnar of the Department of Economics at Pittsburgh University and editor of a recently-published study: *The Czech Republic and Economic Transition in Eastern Europe*.

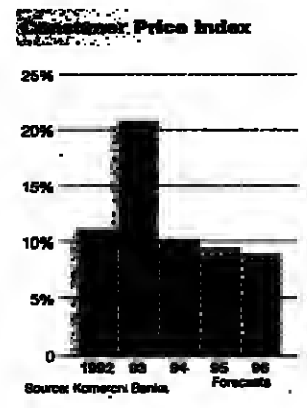
"The aspiration of moving the Czecb economy towards the ranks of advanced economies has thus not yet been fulfilled and remains to be tackled in the next pbase of transition."

Gross Domestic Product



Source: Komercni Banka

Consumer Price Index



Source: Komercni Banka

■ **Foreign policy:** by Vincent Boland

Focus on EU membership

Prime minister Vaclav Klaus has spoken of starting a velvet revolution in Brussels when his country joins

Almost every act of the Czech government since the collapse of communism bas had one overriding goal: to see the country return to tbe European mainstream. This desire is a legacy of Czechoslovakia'a short but much-recalled period as a stable and prosperous democracy between tbe two world wars.

Now that it is again a stable and potentially prosperous democracy there is growing impatience with the glacial pace of the west's drive to fully incorporate emerging European states into western institutions. President Vaclav Havel has warned that Nato is running out of time and paying too much beed to Russian objections to such a move.

The government is more sanguine, especially about the European Union. It asserts that the Czecb side has done all it can to earn the credentials for membership. The rest is up to Brussels.

"My task is not to fight for early [EU] membership," says Mr Vaclav Klaus, the prime minister, but "to fight for an early start to the negotiations on membership." That fight will begin in January when Mr Klaus is due to hand the country's application to join to the Italian presidency of the EU.

It is difficult to assess what Czechs want ur expect from membership of the EU aside from its symbolic confirmation of the conntry's "return to Europe". Ministers insist they do not want to simply sipbon cash from Brussels to spend at home. They want to see the Czech Republic "contribute" to the EU.

Mr Klaus has spoken of starting "a velvet revolution in Brussels" when the country joins. He has aligned himself with British opposition to federalism and for decision-making to remain in national capitals, and has attacked the EU for its "socialist" tendencies.

Much of this may be posturing but its reasoning is based on the Czech Republic's historical experience of taking orders from elsewhere. Having sacrificed so much to win back sovereignty, Czechs are unwilling to cede too much of it to Brussels.

Nevertheless, a real debate on what EU membership will entail has not yet started. A senior British Foreign Office official observed on a visit to Prague in October that he had not been able to ascertain whether the Czech motivation to join the EU was based on political or economic – or any – criteria.

For the Czechs, it may not be as simple as that.

Nato membership is rather more clear-cut. The security vacuum that emerged after the fall of the Berlin Wall has been at the forefront of political concerns and remains so today despite Czech participation in the Partnership for Peace.

The collapse of the Habsburg empire after 1918 created a vacuum that could not be filled by the small states that emerged from it. That process was repeated after the second world war. The first crisis was exploited by Hitler, the second by Stalin. In both cases, Czechoslovakia was a prominent victim.

Now there is a third vacuum, for which many in the region believe the only solution is tha eastward expansion of Nato. "The most stable solution for central Europe is the enlargement of western institutions," says Mr Jiri Payne, chairman of parliament'e foreign affairs committee. Although he adds that the priority is security, Nato membership is seen as essential to it.

The government pursues a go-it-alone policy in its approach to the EU and Nato and has rejected suggestions of regional co-operation with Slovakia, Poland and Hungary. It is a semi-detached member of both the Visegrad Four grouping and the Central European Free Trade Area, which includes those countries.

Since the split with Slovakia, the two have moved apart rapidly and there is little sign of a lingering special relationship. Althongb Mr Klaus and tha Slovak prime minister, Vladimir Meciar, worked closely on the dissolntion of the federation they now find it hard to meet. Lost faxes and unreturned phone calls were blamed for the collapse of a recent summit.

Two other issues are controversial. One is tha Czech relationship with Germany. German investment in the country is high but Czechs are wary of becoming a source of cheap labour for German companies, even as the realisation grows tbat they will inevitably becoma part of the German-dominated economic zone.

On the German side, there is the question of Sudeten Germans expelled from Czechoslovakia after the second world war. Some Germans want compensation but most Czechs will not hear of it. There were no Sudeten Germans, Dr Payne says, just Czech Germans "who destroyed Czechoslovakia" by collaborating with Hitler. The issue remains an irritant in bilateral relations.

The second issua is the relationship with Russia, which has effectively been cast aside in the Czech drive to the west. Czech-Russian relations were once characterised by *druzhba*, a sort of ideological friendship. Dr Payne says Moscow still thinks in that context "and I'm convinced we don't like this policy."

Working out a new one remains a challenge.

■ **Banking:** by Vincent Boland

Tough new era looms

Attempts to create a mid-sized tier of institutions to replace the many undercapitalised small banks have failed

The Czech banking sector is bracing itself for some tough times. The country's expected entry into the Organisation for Economic Co-operation and Development sooo is likely to necessitate a gradual liberalisation of the sector, intensifying competition in an already overcrowded market.

The first indication of changes came in October, with confirmation that a big merger of two large institutions, the savings bank Ceska Sporitelna (CS) and the trade bank Ceskoslovenska Obchodni Banka (CSOB), was being considered.

Both banks have played down the possible merger, saying only that talks were "very preliminary." Nevertheless, they have acknowledged that a series of link-ops to create bigger and stronger institutions is needed if the sector is to be able to compete with foreign banks and hold its own when the country joins the European Union.

Mr Josef Tosovsky, governor of the Czech National Bank which oversees the industry, says the central bank has oo objection in principle to big mergers, but he warns that "mergers will not be possible without a full liberalisation of the market."

As it is currently structured, the Czech banking system poses a dilemma for the CNB.

The market is dominated by four institutions – Komercni Banka, IPB, CS and CSOB. After a difficult year in 1994, these banks have posted strong interim figures for fiscal 1995 and provide a strong backbone for the rest of the sector.

Attempts to create a mid-sized tier of institutions to replace the many undercapitalised small banks have failed despite eocouragement from the central bank for the past two years.

Two institutions that might be called mid-sized do not really fit the bill. Zivnostenska Banka, partly owned by BHF of Germany, is a niche operator. Agrobanka, the fifth-biggest bank, nearly collapsed in 1993 and was put in intensive care by the CNB. Now it has made a move to join the big four as a significant general service bank.

Some of the country's small banks, meanwhile, are deeply troubled. One, Ceska Banka, was ordered by the central bank to close its doors in late October after loans it issued in 1992, its first year of operation, turned sour.

Having shut three banks in 1994, the CNB must have hoped the sight of worried depositors queueing outside a closed-down bank to salvage their savings was a thing of the past.

Mr Tosovsky says problems at some small banks are being monitored but he stresses that "the core of the system is sound."

The large banks are no strangers to competition, although it has been slow to develop. KB, IPB and CSOB were created from the old State Bank in 1990 along vertical lines. This was initially an advantage and allowed them to achieve a solid footing in areas of business in which they were familiar. Now, even though CS in particular is still very dependent on its core savings market, accelerating competition is leading to a fight for market share, especially of primary deposits and corporate lending to cash-hungry privatised companies.

A new area of business is being opened up with the granting of mortgage licences to selected banks for the first time. Fresh legislation will permit subsidised loans for affordable housing, partly to reverse the fall in construction of new houses and apartments over the past five years. Demand is expected to be heavy.

Josef Tosovsky: no objection in principle to big mergers

Competition has also been intensified by the arrival of foreign banks in Prague. Austrian, German and US banks arrived in force until late in 1993, when the CNB stopped issuing licences. The central bank is mulling the lifting or easing of the ban on new licences, and the first beneficiary is expected to be Midland of the UK.

The main problem the big domestic banks now face in light of growing competition is their relativaly small size. They are giants in domestic terms but small compared to the foreign banks with whom they must compete. Hence the talk of mergers to create stronger institutions.

If CS and CSOB were to merge – and at this stage it must be considered a big if – it would be largely complementary, analysts say. CS dominates tha primary deposits market and has some 2,000 branches. CSOB is strong in corporate and trade finance but has a limited branch network and is a significant player on the money markets.

The weaknesses of both wonld be addressed by a merger.

But such a merger would be an administrative nightmare. CSOB is owned entirely by Czech and Slovak state institutions, including the central banks of both countries and the Czech finance ministry. The Czech National Property Fund, the state holding company, also owns 45 per cent of CS.

It is not clear how a merger would proceed and whether the state would remain a big shareholder.

It would also be a severe test of management at both institutions. A merger would "be a very complex and political process," observes an investment banker in Prague who doubts that either CS or CSOB has the expertise to manage it successfully.

A CS-CSOB link-up would create the largest Czech bank, with assets of about Kč520bn, overtaking Komercni Banka, which is the largest, ranked by total capital, and the second-largest (behind CS) ranked by total assets.

■ **Capital markets:** by Vincent Boland

Fund managers under siege

The big banks have been criticised for the way they responded to the attempt to take control of their funds

Czech fund managers hava visibly aged in the past month. Their grey hairs resulted from a burst of activity on the stock market that saw a small bank lay siege to some of the country's senior fund managers, including banks far more powerful than itself.

The stated aim of Plzenska Banka, and its backers Agrobanka and Motoinvest, a financial company, was to buy enough shares of the targeted funds to oust the managers and install its own. Motoinvest, the brains behind the stock market raids, said it wanted to create a financial group that could compete with the big banks.

Plzenska's move caused consternation at Komercni Banka, Zivnostenska Banka, Creditanstalt and Ceskoslovenska Obchodni Banka, which manage the large investment funds it targeted. KB and CSOB fought a fierce battle to keep the upstart bank at bay and even went so far as to buy back stakes in their funds from Plzenska, which pocketed large profits and seems to have backed off for the moment.

Plzenska-Motoinvest's actions, and the reactions they provoked, speak volumes for tha Prague stock exchange, which is an insider's market. Both institutions have been vague about the source of their financing and their larger motives, other than that much of the money came from Agrobanka, the largest privately-owned Czech bank, and that they wanted in create a financial conglomerate (Motoinvest now controls Agrobanka).

Neither institution broke any rules in the operation although this may be because, as one weary fund manager put it: "there are no rules in this market to break." Plzenska is, however, being investigated by the Czech National Bank for possible breach of prudential banking practice by investing too much of its assets in the stock market.

Critics of the strategy, of whom there are many, say nevertheless that it may have taught the market a lesson. This is that investment funds need in be actively managed to close the often high discounts to nat asset valna at which many of them trade. Otherwise they are a legitimate target of more aggressive managers.

Plzenska and Motoinvest have had difficulty convincing the market that their strategy was designed to create value for other shareholders. Analysts – many of whom said they did not really understand what was going on because of the aecrecy surrounding Motoinvest – said the raids on the funds raised a number of issnes that cast doobt on claims that it was an aggressive investor seeking to enhance shareholder valua.

First, it is not clear what added value Plzanska and Motoinvest would bring to fund management. Both are little-known institutions run by inexperienced young executives. Komercni, CSOB and the other banks, whatever their shortcomings, have experience and a wide knowledge of the companies in which their funds bave stakes resulting from mass privatisation.

"Offered a choice between Komercni and Plzenska as my fund manager, I would choose Komercni without hesitation," one analyst said.

Second, the big banks have been criticised for the way they responded to the attempt to take control of their funds. Analysts noted that the parent banks of tha fund managers appeared to pay for the initial buying of shares to thwart Plzenska. Czech funds are generally not liquid, but Komercni and CSOB, or their fund management arms, spent hundreds of millions of korunas fighting off Plzenska in the market.

"If Plzenska and Motoinvest made money, then somebody had to lose it," said a senior foreign banker in Prague. "The banks should ask themselves whether spending so much money was justified simply to retain control of their funds."

Third, the Plzenska-Motoinvest move had many of the hallmarks of a "greenmail" operation – where a company is forcad by a hostile or unwanted takeover bidder to buy back its shares at above market value. Although they said they wanted to make it big in the fund management business, they sold out to KB and CSOB shortly after acquiring stakes of more than 10 per cent in the funds of those banks. Motoinvest made a reported Kč200m profit when KB bought back the stake in its own fund.

While all of this was going on, fund managers also had to digest the deal in which Mr Viktor Kozeny, the privatisation fund pioneer, sold stakes in seven key Czech companies to Stratton, an investment company owned by Mr Michael Dingman, the US millionaire. Stratton acquired large or controlling stakes in companies in the paper, chemicals, oil, transport and brewing industries in a transaction valued at $140m.

Mr Kozeny's Harvard funds sold the stakes to Stratton over the past few months and have spent much of the $140m rebuilding the stakes in the market, without alerting other investors. Harvard will vote with Stratton in each of the companies involved in return for 10 per cent of future gains the latter makes.

A catalyst for Stratton's mova may be proposed changes to securities legislation. One proposal would require investors to report stakes of more than 10 per cent in companies. Currently no disclosure is required. Another measure would require an investor taking 50 per cent and one share of a company in offer buy-out terms to minority shareholders.

These relatively mild proposals are not guaranteed to get through parliament, according to some fund managers. However, their author, Mr Tomas Jezek, believes they will be approved, probably early next year, and that the interests of small shareholders will be put on a par with those of the large funds and strategic investors.

"These measures are necessary for the credibility and transparency of the capital market," Mr Jezek says. They represent the first significant changes to the regulations on capital markets since economic reforms began. A long-heralded period of consolidation may now be under way on the Prague stock market. Mr Jezek says his proposals should ensure that it is relatively orderly.

PROFILE Nova TV

A jewel in the crown

The Czech Republic's Nova TV, eastern Europe's first private national, commercial television station, has managed to eclipse state-owned operator CTV after only 21 months in operation.

Nova TV, controlled by Mr Rooald Lauder, one of the beirs to the Estee Lauder cosmetics fortune, already claims an average share of 70 per cent of Czech television viewers.

It generated pre-tax profits of $19.71m in the first six months of 1995 following a pre-tax profit of $10.38m in 1994, its first year of broadcasting operations.

Nova is the jewel in the crown of Central European Media Enterprises (CME), in whicb Mr Lauder holds a cootrolling 51.9 per cent stake. CME was formed in 1991 as a pioneer of private, commercial television and radio stations in central and eastern Europe. It owns a 66 per cent equity interest in Nova. A further stake of 22 per cent is held by Ceska Sporiteina, the Czech savings bank.

Nova, which began broadcasting in February, 1994, has become a model for CME, as it expands its operations.

Mr Vladimir Zelezny, the station's director-general and a former screenwriter and leading activist in the 1989 Velvet Revolntion, says that Nova TV is operating much more profitably than was forecast.

After breaking even in less than a year, it will have paid off more than Kč1bn invested in the operation much sooner than the five years forecast in the original budget, be says. Nova bas a 12-year licence expiring in 2005.

The television advertising market in the Czech Republic has expanded rapidly since the beginning of privatisation activities in the country in 1992 with total expenditures soaring from $6m in 1991 to $96m last year.

Nova TV gained net advertising revenues of $47m in the first six months of 1995, compared with $53m in the whole of 1994.

CME believes that its early entry into the Czech market has been a key reason for Nova's initial success. It has been able to capitalise on the rapid growth of the advertising market and has also benefited from limited competition with the number of television broadcasting frequencies restricted by government licensing authorities.

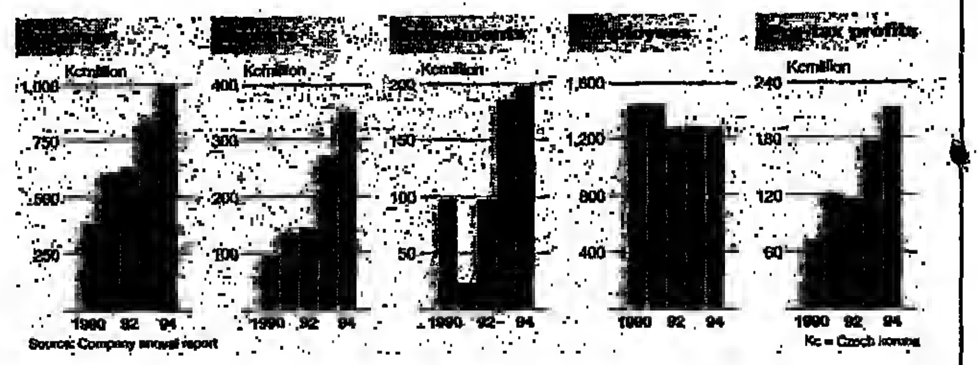
There are four main television stations in the Czech Republic. The two state-owned channels, CT1 and CT2, reach 98 and 71 per cent of the 10.4m population respectively. Of the two private commercial stations, Nova TV reaches 99 per cent of the population and Premiera – a small station serving mainly Prague, which began broadcasting in late 1993, reaches 40 per cent.

Premiera's current owner, Investicni a Postovni Banka, one of the leading Czech banks, is seeking a foreign partner. There are no other significant television stations broadcasting Czech language programmes to the Czech Republic, and CME believes that additional private national broadcast competition "is unlikely in the near future."

Kevin Done

PROFILE Chlumcanske Keramicke Zavody (CHKZ)

Well-laid path to profits



Source: Company annual report

The Chlumcany Ceramics Works, the Czech Republic's leading maker of floor tiles, has increased its turnover and the value of its exports sales each year from 1991 to 1995, despite the daunting challenges of trausition from the old communist system.

Like all of Czech industry it bas faced the loss of many of of its traditional east European markets following the collapse of the old East bloc Comecon trading system. It has had to deal with currency upheavals, price liberalisation, tax reforms and the introduction of valued added tax, privatisation, listing on the stock market and, not least, the splitting of the former Czechoslovakia into two separate states.

Chlumcanske Keramicke Zavody (CHKZ) has emerged strongly from these trials, however, and has avoided falling into the hands of a strategic foreign investor. It has invested heavily in new technology in order to raise its quality and product assortment in a level competitive with its leading rivals in Italy and Spain.

With modern products it has found new markets both in west Europe, in particnlar in Germany, and in eastern Europe, most notably in Poland. In five years it has managed to raise its turnover by more than 150 per cent from Kč394m in 1990 to Kč1.02bn ($38.9m) last year, helped by a 260 per cent rise in exports to Kč352m.

Pre-tax profits have been virtually trebled from Kč71.6m in Kč213m ($8.1m) in the same period. During these five years the workforce has been trimmed by 12 per cent to 1,275, and turnover per employee has almost tripled from Kč310,374 in 1990 to Kč889,499 last year.

The momentum is being sustained this year according to Mr Jaroslav Penicka, CHKZ managing director, who forecasts a further rise in profits of around 20 per cent and of 14 per cent in sales.

Located in gently rolling hills to the sonth of the west Bobemian town of Plzen (Pilsen), it has a big advantage in being able to draw 80 per cent of its raw materials, most importantly china clay, from its own local quarries.

The driving force behind CHKZ's growth has been its readiness to invest beavily in new technology, says Mr Penicka, with expenditure running at about Kč200m a year in each of tha three years from 1993 in 1995. The modernisation programme has been financed largely from cashflow.

In 1990, CHKZ produced about 4m square metres of tiles, of which some 800,000 were exported, chiefly to the Soviet Union. "We realised we could not compete on western markets with these products," says Mr Penicka. "We decided we had to change completely the prodnct range and modernise the company."

CHKZ has purchased Italian machinery to renew and antomate its tile production lines, a process now 90 per cent complete and which will be finished in the first half of next year. In the process, energy consumption has been cut by 60 per cent.

By next year, CHKZ will have built five new tile production lines in a five-year, Kč1bn investment programme. It has already embarked on further expansion with the development of a majority-owned domestic joint venture with an annual capacity for an additional 2m sq m of tiles.

Kevin Done

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COMMODITIES AND AGRICULTURE

Fischler to outline reform options

By Caroline Southey in Brussels

Mr Franz Fischler, the Europeau Commissioner for agriculture, yesterday confirmed that he would outline a set of options next week for reforming the European Union's common agricultural policy and the agricultural sectors of eastern and central European countries as part of the union's enlargement strategy.

Mr Fiechler'a CAP reform proposals, which face tough opposition from European agricultural lobby groups, are expected to include further cuts in price support for farmers and the outlines of a new policy for rural development.

The proposals, which will form part of the commission's strategy paper on enlargement to be delivered to the EU summit in Madrid next month, will be presented to agricultural ministers as well as the commission next week.

Mr Fischler said a degree of "dynamism" was necessary in the debate on EU agricultural policy and that he was opposed to "freezing the CAP" in its present form. He said the EU needed to "new concept" for the shape of agriculture over the next 10 to 15 years.

But, he added, he was also against "calling into question everything we have achieved" in the EU'a agricultural sector.

Mr Fischler said the EU would have to face up to further changes to the CAP by 2002 when a new world trade round will impose further curbs on subsidised production. It was also necessary to face up to the fact that additional markets could only be exploited if products were exported without refunds.

He pointed out that 60 per cent of the total agricultural budget was paid directly to farmers, a level that the EU "will not be able to continue or justify" by the turn of the century. "Will it be possible to justify in 2000 compensation payments for price rednction which took place in 1992?" he asked.

Mr Fischler, in his first public comments on the proposals, said it was also important to adopt a "broader approach" to rural policy. This would have to ensure the future viability of rural areas through the development of rural infrastructure and support for alternative employment opportunities.

"We cannot ignore the fact that there are more non-farmers than farmers in rural areas," he said.

The commissioner said he would also outline options on how eastern and central European countries could he absorbed into the EU. His preferred option was to set down specific interim rules for each aspirant member state.

Another option was to plan for long transition periods for the countries seeking accession.

Meat hormone rules to be re-examined

The European Union will hold a conference next week to examine the use of growth hormones in meat production, European Agriculture Commissioner Mr Franz Fischler said yesterday, reports Renters from Brussels.

Some 80 scientists and 170 nnn-scientists, including consumers, environmentalists, prodncers and traders will meet here from November 29 to December 1 to review and update scientific data on the safety of meat hormones.

"It'a not a question of taking or preparing any kind of political decisions," Mr Fischler told a news conference. But it might be necessary as a result of the conference to consider changing rules.

He noted that new hormones and hormone "cocktails" had created a legal loophole since EU scientists first drew up the rules in 1981.

Analysts said it could be a first step towards ending of the EU'a 1989 hormone ban, which has been challenged by the US, where the use of natural hormones and two synthetic hormones is allowed.

Washington is waiting for the results of the conference before deciding whether to take the dispute to the World Trade Organisation.

Bank breaks silence on gold turnover

By Kenneth Gooding, Mining Correspondent

After much heart searching and consultation the Bank of England has given a tantalising glimpse behind the traditional veils of secrecy surrounding statistics about the gold market.

Mr Terry Smeeton, head of the bank's foreign exchange division, said yesterday that, when measured by the bank some 18 months ago, turnover through the 14 market makers in London alone amounted to a daily total of 7.5m troy ounces – equivalent to US$3bn each day.

Although this might seem a little out of date, history was being made with this revelation – the first time any London gold market official turnover figure had ever been given.

Mr Smeeton pointed out that gold is necessarily a secretive market.

"The confidentiality of transactions is important in all markets but none more so than gold." Nevertheless, "after a great deal of reflection and discussion with others in the market, I have concluded that this need for confidentiality does not extend to aggregated statistics which can be used to illustrate the size and depth of the London Market".

He used the figures to justify his assertion that London was probably the biggest gold market in the world. He stressed that the $3bn referred only to spot and forward business undertaken hy the 14 market makers and did not include the non-market-making members of the London Bullion Market Asaociation or the very significant amount of over-the-counter business conducted outside of London but settled on London market on a loco basis.

Even so, the London market makers' turnover alone was 50 per cent above the New York Commodity Exchange turnover at that time.

Mr Smeeton was speaking at the City of London Banking Conference where he suggested that the capacity of the London gold market to absorb business provided one explanation of why the increased participation of cantral banks in the market had had only a modest impact on the spot price.

He said that the bank believed that deposits from central banks with leading bullion houses in London had more than doubled in the past 18 months and that swaps activity had risen by at least half. But the central hanks were not increasing the time for which their gold was invested. Very few were willing to put gold into the market for 12 months and half was invested for no more than three months.

"This means, given the long maturity of some of the forward sales programmes, that there is a considerable maturity mismatch in the market and this itself is a source of instability."

Opec aims to put its own house in order

By Robert Corzine in Vienna

Oil ministers from the Organisation of Petrolenm Exporting Countries are due to meet again today in the Austrian capital for talks that will focus on ways to improve the lagging production discipline within the group.

The need to reduce cheating by a number of Opec states will figure highly in today's talks say ministers, although some delegations continue to blame non-Opec producers for the uncertainty in international oil markets.

Mr Erwin José Arrieta, the Venezuelan oil minister and current Opec president, yesterday said Opec's efforts to "stabilise the oil market through self-imposed restrictions on ontpnt have heen unduly abused" by oil producers outside the organisation.

But other ministers, including Mr Abdallah Salem El-Badri of Libya said Opec first needed to deal with the issue of its own over-production. "We have to fix our own house first" before dealing with non-Opec, he said.

Delegates last night said there might be an attempt today by Iran and others to simplify the way Opec calculates the prodnction of its member states. The proposed change could form heart of a package of measures to ensure greater compliance with national quotas.

Some countries were said to favour a shift to well-head production, a simpler measurement than the present system, which is based on adding together net exports, domestic consumption and sales of oil held in storage overseas.

Most industry analysts last night still expected Opec to extend the present production ceiling of 24.52m barrels a day, although it was not clear whether the ministers would opt for a one-year or six-month extension.

Lead prices jump to 5-year highs as stocks fall again

By Kenneth Gooding, Mining Correspondent

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+125	to 564,325
Aluminium alloy	+560	to 52,340
Copper	+2,425	to 213,875
Lead	-4,550	to 177,375
Nickel	-456	to 47,520
Zinc	-8,200	to 591,250
Tin	-30	to 12,670

Lead prices on the London Metal Exchange yesterday jumped to their highest level for five years. Analysts suggested it was likely that stocks of the metal – used mainly to make batteries – would continue to fall, that supplies would remain tight and that prices would go on rising.

Battery producers, who account for about 60 per cent of lead demand, were warned what was in store during London Metals Week last month when Mr Chris Torrible of the CRU International consultancy organisation, said that lead stocks might soon approach historically tight levels equivalent to only five weeks of consumption. When that last happened in 1989, he said, "we had a boom in prices". Lead prices would move above $750 a tonne in the middle or towards the end of next year and the average for 1996 would be between $700 and $750. Mr Torrible said yesterday that he had no reason to change that prediction hut "prices could well go higher than we were forecasting then".

After the LME reported yesterday that lead stocks in its warehouses had fallen by another 4,450 tonnes to 177,375 tonnes – their lowest since 1992 – lead for delivery in three months closed at $737 a tonne, up $29.50, having conclusively pushed past $713, the previous 1995 high.

Mr Robin Bhar, analyst at Brandeis (Brokers), a Pechiney subsidiary, suggested there was not much to prevent the lead price reaching $750 a tonne and then it was in virtually uncharted territory until it reached $800.

Both analysts cited a fall in exports from eastern Europe and former Soviet republics, particularly Kazakhstan, as one reasoo for the present supply tightness. Demand from battery producers was high after an unusually hot summer – which had taken its toll of automotive batteries – in the northern hemisphere.

Mr Bhar pointed out that much of the lead in LME stocks was from eastern Europe or the CIS and not suitable for use in batteries without heing remelted. Also, a great deal of LME stock was tightly controlled hy merchants or producers who needed it for future use.

Scots call for potato quarantine

By Alison Maitland

Scottish seed potato prodncers yesterday called for quarantine to be reintrodnced to protect them from a severe outbreak of hrown rot disease in the Netherlands.

The disease, which rots the tuber and leaves the soil uncultivable for at least five years, has been confirmed on 44 Dutch farms. The Dutch seed potato trade federation maintained yesterday that the problem had been isolated hut was expected to cost growers Fl 17.5m (£7.1m).

The Scottish call came despite measures agreed by European Union member states on Monday night to tighten up Dutch controls and allow importing countries to take tougher action to protect themselves.

The British government is expected within the next few days to require all imports of Dutch seed potatoes to be officially notified. Eight EU members have already introduced special tests on Dutch imports.

Mr John Bethell, chief executive of the Scottish Seed Potato Development Council, a promotional body, said the controls were inadequate.

"Testing is at best an inexact science," he said. "Importing companies and countries would rather be much surer they're not going to get contamination. The only way to do that is to introduce quarantine."

Scotland prodnces 400,000 tonnes of seed potatoes a year, compared with 1m tonnes in the Netherlands, the world's largest grower. The Scottish industry's 465 growers enjoyed profits of £44m last year.

Mr Bethell said that, until the advent of the single market in 1992, Scotland had "protected region" status requiring that all imported potato plants be screened in quarantine for two growing cycles.

"Brown rot is a nasty thing," said Mr Bethell. "Nobody wants to have it."

However, he pointed out that it would be difficult to revive protected regions, given that harmonisation was the "overriding political consideration" in the EU. in the meantime, Monday's agreement was "the best that can be expected".

Under the deal agreed at the European Commission's plant health committee, the Netherlands must destroy or safely dispose of all contaminated potatoes. It must subject potatoes for export from non-infected areas to rigorous tests.

It must provide the commission and member states with regular, detailed information about the extent of the outbreak and has been asked to report by mid-December on the number, variety and destination of all seed potatoes exported to other member states from the 1994 and 1995 crops.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)	Cash	3 mths
Close	1644-45	1680-81
Previous	1642-43	1680-80.5
High/low		1685/1677
AM Official	1643.5-44.0	1679-80
Kerb close		1683-84
Open int.	221,291	
Total daily turnover	38,180	
■ ALUMINIUM ALLOY ($ per tonne)		
Close	1385-95	1425-30
Previous	1355-65	1395-405
High/low	1393	1435/1425
AM Official	1393-95	1430-32
Kerb close		1430-40
Open int.	3,769	
Total daily turnover	1,344	
■ LEAD ($ per tonne)		
Close	732-33	717-18
Previous	728-30	707-8
High/low	737/736	722/708
AM Official	736-7	716-7
Kerb close		719-20
Open int	31,733	
Total daily turnover	7,740	
■ NICKEL ($ per tonne)		
Close	8470-80	8550-65
Previous	8475-85	8595-600
High/low	8465/8450	8670/8560
AM Official	8460-61	8585-600
Kerb close		8610-20
Open int.	42,691	
Total daily turnover	11,136	
■ TIN ($ per tonne)		
Close	6430-35	6450-55
Previous	6385-95	6415-25
High/low		6450/6430
AM Official	6420-30	6440-45
Kerb close		6460-70
Open int.	17,064	
Total daily turnover	5,851	
■ ZINC, special high grade ($ per tonne)		
Close	1035.5-6.5	1060-60.5
Previous	1033-34	1057-58
High/low		1064/1056
AM Official	1032-33	1056.5-57.0
Kerb close		1063-4
Open int.	84,364	
Total daily turnover	12,577	
■ COPPER, grade A ($ per tonne)		
Close	2981-86	2758-59
Previous	3003-5	2768-9
High/low	2993/2981	2769/2753
AM Official	2982-83	2758-59
Kerb close		2762-4
Open int.	174,555	
Total daily turnover	50,450	

■ LME AM Official £/$ rate: 1.5527
LME Closing £/$ rate: 1.5590
Spot: 1.5585 3 mths: 1.554 6 mths: 1.5512 9 mths: 1.5476

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	138.30	-1.00	139.30	138.00	575	1,096
Dec	131.75	-1.40	133.20	131.10	4,103	17,136
Jan	128.75	-0.40	128.85	128.50	185	1,252
Feb	128.75	-0.10	-	-	80	718
Mar	125.19	+0.20	125.50	124.20	2,208	10,625
Apr	123.65	+1.65	-	-	100	309
Total					7,131	30,345

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.30-386.70		
Opening	386.80-387.20		
Morning fix	386.60	248.626	439.792
Afternoon fix	386.30	247.946	439.725
Day's High	387.20-387.60		
Day's Low	386.20-386.60		
Previous close	386.20-386.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.46	6 months	3.14
2 months	2.49	12 months	3.26
3 months	2.60		

Silver Fix	p/troy oz.	US cts equiv.
Spot	346.05	537.60
3 months	350.80	543.75
6 months	355.30	549.60
1 year	364.10	561.90
Gold Coins	$ price	£ equiv.
Krugerrand	386-387	248-249
Maple Leaf	397.20-399.65	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)	Sett price	Day's change	High	Low	Vol	Open int
Nov	385.0	-1.6	385.6	385.6	-	-
Dec	385.4	-1.7	387.8	385.3	10,709	54,217
Feb	386.9	-1.8	388.7	386.7	4,845	31,888
Apr	389.1	-1.7	391.8	389.1	159	8,500
Jun	391.5	-2.1	393.8	391.9	252	18,507
Aug	393.8	-2.1	-	-	503	3,615
Total					18,198	158,946
■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)						
Jan	415.3	-1.7	418.5	415.1	954	18,433
Apr	415.4	-1.3	418.0	415.5	159	2,827
Jul	418.1	-1.2	-	-	4	1,663
Oct	416.8	-1.2	-	-	82	689
Jan	417.8	-1.0	-	-	1	5
Total					1,199	21,417
■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)						
Dec	134.90	-1.15	136.75	133.75	373	3,323
Mar	135.60	-1.25	137.50	134.50	204	3,409
Jun	136.50	-1.35	-	-	67	193
Total					644	6,925
■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)						
Nov	527.2	-5.8	-	-	80	95
Dec	527.5	-6.2	536.0	526.5	6,671	42,523
Jan	528.1	-6.2	-	-	1	33
Mar	535.1	-6.2	544.0	534.5	4,370	26,568
May	539.3	-6.1	545.5	539.0	24	8,780
Jul	543.5	-6.0	550.0	545.5	58	6,235
Total					11,589	101,856

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)	Sett price	Day's change	High	Low	Vol	Open int
Jan	17.94	-0.12	18.09	17.87	28,842	109,243
Feb	17.74	-0.09	17.88	17.68	13,568	40,423
Mar	17.59	-0.08	17.62	17.58	10,117	28,274
Apr	17.44	-0.09	17.47	17.40	4,832	13,032
May	17.36	-0.05	17.36	17.31	2,059	9,581
Jun	17.25	-0.11	17.30	17.23	1,842	18,701
Total					73,165	327,529
■ CRUDE OIL IPE ($/barrel)						
Jan	16.72	-0.09	16.84	16.66	12,957	82,849
Feb	16.53	-0.08	16.60	16.49	4,321	21,446
Mar	16.35	-0.06	16.42	16.32	1,018	15,400
Apr	16.25	-0.03	16.28	16.24	200	8,224
May	16.18	-	16.18	16.13	222	2,455
Jun	16.01	-0.08	16.06	16.01	80	5,149
Total					23,243	144,729
■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)						
Dec	52.30	-0.43	52.98	52.05	12,193	29,876
Jan	52.50	-0.34	53.10	52.20	11,468	46,863
Feb	52.05	-0.19	52.30	51.80	2,309	25,984
Mar	50.65	-0.09	50.80	50.50	1,507	10,504
Apr	48.95	+0.01	48.95	48.50	457	5,051
May	47.65	-0.40	47.65	47.60	78	4,043
Total					28,753	143,554
■ GAS OIL IPE ($/tonne)						
Dec	157.25	-1.25	158.75	155.75	9,601	23,818
Jan	156.50	-0.75	157.75	155.50	5,467	24,247
Feb	154.75	-0.75	155.75	154.50	1,158	7,422
Mar	153.25	-0.50	153.75	152.75	405	5,248
Apr	151.50	-0.50	152.00	151.50	700	2,255
May	150.00	-0.25	-	-	37	1,128
Total					18,468	73,447
■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)						
Dec	2.150	-0.007	2.190	2.086	49,090	19,006
Jan	2.043	-0.020	2.070	2.005	21,832	37,286
Feb	1.913	-0.029	1.950	1.885	8,261	18,864
Mar	1.795	-0.027	1.810	1.790	4,083	13,397
Apr	1.700	-0.007	1.705	1.690	2,480	9,742
May	1.705	-	1.710	1.700	1,363	7,701
Total					89,888	151,076
■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)						
Dec	52.60	-0.10	53.00	52.50	11,401	18,156
Jan	51.60	-	51.78	51.35	8,157	20,682
Feb	51.60	-	51.70	51.35	3,803	11,877
Mar	51.70	-	51.70	51.60	1,265	4,781
Apr	54.20	+0.10	54.20	54.20	1,106	4,220
May	54.20	-0.28	54.20	54.15	719	2,846
Total					28,819	93,337

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)	Sett price	Day's change	High	Low	Vol	Open int
Nov	127.50	+0.25	127.00	127.00	1	50
Jan	128.60	+0.30	128.85	128.50	105	2,222
Mar	130.60	+0.30	130.70	130.50	111	2,467
May	132.85	+0.35	132.75	132.50	37	2,947
Jul	134.55	+0.15	134.70	134.70	4	221
Sep	115.40	+0.40	115.50	115.50	10	49
Total					302	[illegible]
■ WHEAT CBT (5,000bu min; cents/60lb bushel)						
Dec	495.00	-1.00	498.00	488.00	6,345	23,442
Mar	490.50	-2.00	494.75	486.50	8,808	47,103
May	453.50	-2.25	457.00	451.00	343	4,629
Jul	408.50	-4.00	413.00	405.50	1,704	18,302
Sep	411.50	-2.50	413.50	409.00	214	2,873
Dec	420.00	-3.50	423.00	421.00	90	888
Total					17,508	98,478
■ MAIZE CBT (5,000 bu min; cents/56lb bushel)						
Dec	323.50	-3.00	326.25	323.50	22,470	94,328
Mar	330.25	-2.75	332.75	330.00	28,146	255,959
May	331.75	-1.75	333.50	331.50	3,436	42,892
Jul	328.00	-1.50	329.75	327.50	5,044	56,074
Sep	292.25	-0.75	293.25	292.00	735	9,758
Dec	278.25	-	280.00	278.00	2,882	26,821
Total					62,805	487,598
■ BARLEY LCE (£ per tonne)						
Nov	117.50	+0.50	-	-	-	45
Jan	119.70	+0.65	-	-	-	801
Mar	121.50	+0.25	121.75	121.75	5	752
May	123.70	+0.45	-	-	-	237
Sep	112.25	-	-	-	-	1
Nov	113.00	-	-	-	-	5
Total					5	1,946
■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)						
Jan	678.25	-1.25	681.75	674.75	23,916	81,476
Mar	686.25	-2.00	690.00	683.50	5,248	41,082
May	690.75	-1.75	694.00	687.75	1,895	12,672
Jul	692.75	-0.25	695.75	689.50	4,000	18,137
Aug	688.00	-1.50	692.25	687.00	27	991
Sep	673.50	-6.75	676.50	672.00	24	1,425
Total					38,671	166,922
■ SOYABEAN OIL CBT (60,000lbs; cents/lb)						
Dec	25.14	-0.04	25.32	25.07	5,882	21,025
Jan	25.33	-0.06	25.50	25.25	7,983	29,857
Mar	25.86	-0.03	25.79	25.57	4,850	18,503
May	25.98	-0.01	26.10	25.90	1,802	8,912
Jul	26.15	-	26.27	26.08	1,820	8,405
Aug	26.24	-0.01	26.30	26.20	278	1,575
Total					23,275	98,553
■ SOYABEAN MEAL CBT (100 tons; $/ton)						
Dec	208.2	-0.9	209.4	207.3	9,123	26,420
Jan	208.9	-0.9	211.0	208.8	9,397	29,156
Mar	212.2	-0.7	213.2	211.0	4,718	29,103
May	211.8	-0.8	212.8	210.8	609	7,871
Jul	212.8	-0.7	213.5	211.3	1,897	8,237
Aug	211.3	-1.7	211.9	211.0	135	1,060
Total					26,154	102,381
■ POTATOES LCE (£/tonne)						
Mar	270.0	-	-	-	-	-
Apr	247.5	-6.2	256.0	245.0	125	1,209
May	305.0	-	-	-	-	5
Jun	325.0	-	-	-	-	-
Total					125	1,217
■ FREIGHT (BIFFEX) LCE ($10/index point)						
Nov	1735	-25	1750	1730	64	600
Dec	1575	-50	1601	1560	31	235
Jan	1520	-30	1530	1500	117	1,217
Apr	1500	-20	1505	1476	130	1,280
Jul	1343	-7	1350	1325	33	458
Oct	1435	-75	1440	1440	1	64
Total					376	3,865

	Close	Prev
BFI	1740	1753

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,500-3,700 (3,400-3,550). Bismuth: min. 99.99%, tonne lots 3.95-4.25 (4.00-4.20). Cadmium: min. 99.95%, 195-205 cents a pound. Cobalt: MB free market, 99.8%, 31.25-32.25 (30.80-32.10); 99.3%, 27.80-28.80 (27.80-28.60). Mercury: min. 99.99%, $ per 76 lb flask, 150-170. Molybdenum: drummed molybdic oxide, 4.40-4.80 (4.50-4.70). Selenium: min 99.5%, 3.80-4.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 62-70. Vanadium: min. 98%, cif, 3.05-3.18 (3.10-3.20). Uranium: Nuexco exchange value, 9.60.

SOFTS

■ COCOA LCE (£/tonne)	Sett price	Day's change	High	Low	Vol	Open int
Dec	914	-21	933	913	1,072	10,522
Mar	954	-18	968	952	3,010	35,418
May	973	-15	984	970	928	14,942
Jul	991	-14	1002	989	358	5,667
Sep	1010	-18	1021	1008	254	26,502
Dec	1021	-16	1033	1022	80	8,401
Total					5,741	117,849
■ COCOA CSCE (10 tonnes; $/tonnes)						
Dec	1351	-14	1363	1348	251	1,818
Mar	1359	-12	1369	1353	3,328	43,231
May	1378	-14	1387	1375	954	10,715
Jul	1397	-14	1403	1395	266	3,545
Sep	1420	-14	1428	1418	17	9,419
Dec	1445	-18	1445	1445	16	7,125
Total					4,876	77,123

■ COCOA (ICCO) (SDR's/tonne)	Price	Prev. day
Nov 20 Daily	977.33	975.38

■ COFFEE LCE ($/tonne)	Sett price	Day's change	High	Low	Vol	Open int
Nov	2443	-9	2440	2420	120	1,258
Jan	2218	-29	2240	2210	2,827	15,112
Mar	2133	-22	2140	2119	751	7,870
May	2057	-25	2065	2047	175	4,001
Jul	2000	-20	2004	1990	111	1,148
Sep	1957	-78	1960	1955	11	373
Total					4,146	29,772
■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)						
Dec	116.50	-1.30	118.25	115.70	2,066	2,386
Mar	113.85	-1.35	115.50	113.10	8,149	15,257
May	111.80	-1.40	113.80	111.00	480	2,853
Jul	110.90	-1.35	112.75	110.00	88	719
Sep	109.75	-1.30	111.00	110.75	4	327
Dec	109.00	-1.05	111.00	109.50	-	247
Total					10,803	22,073

■ COFFEE (ICO) (US cents/pound)	Price	Prev. day
Nov 17 Comp. daily	115.85	118.18
15 day average	120.65	120.85

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.79	-0.06	-	-	-	-
Jul	10.79	-	-	-	-	-
Total					-	-
■ WHITE SUGAR LCE ($/tonne)						
Mar	352.9	+0.7	354.6	349.5	1,043	14,807
May	343.5	+1.7	344.5	339.8	996	5,864
Aug	335.8	+1.1	335.0	328.6	458	3,767
Oct	303.8	+2.1	304.4	302.0	333	2,873
Dec	294.3	+2.1	295.0	294.5	65	1,488
Mar	293.0	+2.3	-	285.8	44	279
Total					2,887	28,983
■ SUGAR '11' CSCE (112,000lbs; cents/lbs)						
Mar	10.79	-0.10	10.87	10.77	4,417	78,716
May	10.58	-0.14	10.79	10.59	1,122	21,422
Jul	10.17	-0.15	10.30	10.18	792	14,218
Oct	10.05	-0.17	10.26	10.05	827	15,909
Mar	9.95	-0.18	10.12	9.95	127	9,852
May	9.85	-0.13	10.04	9.85	21	1,168
Total					7,317	141,841
■ COTTON NYCE (50,000lbs; cents/lbs)						
Dec	86.43	+0.05	87.20	85.70	2,816	8,559
Mar	86.30	+0.77	87.00	85.40	4,349	22,755
May	86.25	+0.95	86.80	85.25	331	6,720
Jul	85.90	+1.10	86.40	84.95	107	8,553
Oct	80.20	+0.32	80.10	79.70	25	1,434
Dec	77.30	+0.26	77.30	77.00	48	7,554
Total					7,899	54,575
■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)						
Jan	124.15	-0.55	125.10	123.80	1,580	18,189
Mar	127.15	-0.35	127.75	126.80	747	5,501
May	129.40	-0.50	129.90	129.40	77	1,630
Jul	131.50	-0.50	-	-	-	706
Sep	133.90	-0.60	-	-	6	878
Nov	133.35	-0.60	133.40	133.00	-	225
Total					2,409	27,148

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)			
Nov 21	Nov 20	month ago	year ago
2184.2	2189.4	2160.4	2123.3
■ CRB Futures (Base: 1967=100)			
Nov 20	Nov 17	month ago	year ago
243.12	243.81	-	-
■ GSCI Spot (Base: 1970=100)			
Nov 20	Nov 17	month ago	year ago
187.94	187.96	180.63	176.19

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.575	-1.000	68.300	67.400	6,148	25,713
Feb	67.800	-0.575	68.050	67.300	5,602	23,162
Apr	67.350	-0.300	67.500	67.100	2,136	13,888
Jun	63.475	-0.250	63.700	63.350	578	5,859
Aug	61.675	-0.225	61.800	61.475	273	2,333
Oct	62.575	-0.125	62.700	62.450	172	2,267
Total					15,891	73,524
■ LIVE HOGS CME (40,000lbs; cents/lbs)						
Dec	44.025	-	44.150	43.450	2,963	8,354
Feb	46.850	+0.275	47.125	46.300	2,632	11,171
Apr	47.550	+0.400	47.600	46.675	726	4,471
Jun	52.900	+0.250	52.950	52.150	201	3,923
Jul	52.800	+0.150	52.850	52.200	80	2,197
Aug	51.800	+0.200	51.850	51.350	123	1,107
Total					6,761	31,887
■ PORK BELLIES CME (40,000lbs; cents/lbs)						
Feb	54.525	-1.900	56.150	54.450	1,183	5,191
Mar	54.900	-1.650	56.450	54.600	53	717
May	55.850	-1.700	57.025	55.850	20	403
Jul	57.800	-1.375	57.750	57.175	26	500
Aug	54.800	-1.700	56.800	54.750	4	137
Total					1,289	6,948

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	63	112	6	31
1700	9	57	52	78
1800	-	25	142	141
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2800	109	78	12	113
2900	44	42	47	177
3000	12	-	114	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1900	322	286	4	53
1950	275	251	7	88
2000	251	219	13	86
■ COCOA LCE	Mar	May	Mar	May
875	90	113	2	6
900	72	95	3	10
925	55	79	6	15
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1550	124	117	3	15
1600	81	78	9	23
1650	44	43	23	45

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)		+or-
Dubai	$15.55-5.60w	-0.185
Brent Blend (dated)	$16.62-6.66	-0.150
Brent Blend (Jan)	$16.70-6.71	-0.115
W.T.I. (1pm est)	$17.92-7.94w	-0.110
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$187-189	-2.5
Gas Oil	$161-162	-1
Heavy Fuel Oil	$88-89	+1
Naphtha	$150-151	+0.5
Jet fuel	$180-182	-2
Diesel	$164-165	-1

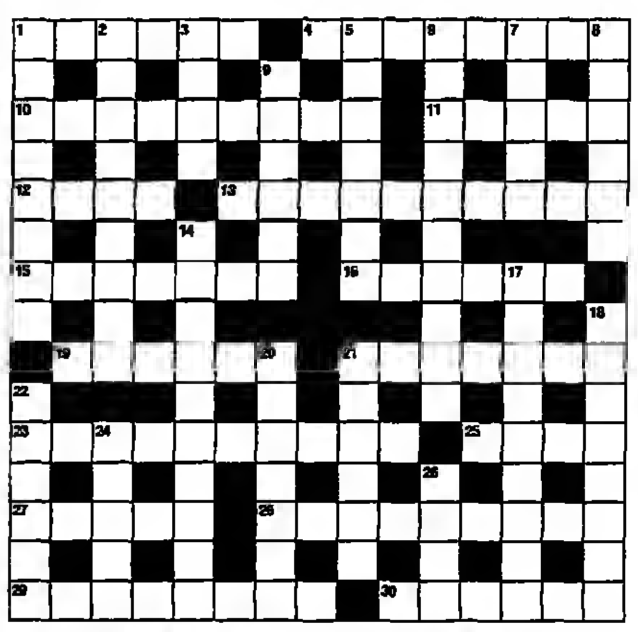
Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)♣	$386.50	+0.10
Silver (per troy oz)♣	535.0c	-0.8
Platinum (per troy oz.)	$415.00	+0.65
Palladium (per troy oz.)	$134.30	+0.55
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.92m	-0.07
Tin (New York)	305.5c	+2.0
Cattle (live weight)†	126.18p	-0.03*
Sheep (live weight)†♠	109.16p	-1.15*
Pigs (live weight)†	103.43p	+2.61*
Lon. day sugar (raw)	$304.4	+1.1
Lon. day sugar (wte)	$382.0	+3.5
Barley (Eng. feed)	£126.0	
Maize (US No3 Yellow)	£105.5w	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	110.50p	
Rubber (Jan)♥	110.50p	
Rubber (KL RSS No1)	421.5m	+2.5
Coconut Oil (Phil)§	$755.0y	-15.0
Palm Oil (Malay.)§	$602.5y	-7.5
Copra (Phil)§	492.0y	-5.0
Soyabeans (US)	194.0u	-3.0
Cotton Outlook'A' index	88.90c	
Wooltops (64s Super)	452p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Jan.♥ w Jan. y Nov/Dec. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. † Prices are for previous day.

CROSSWORD

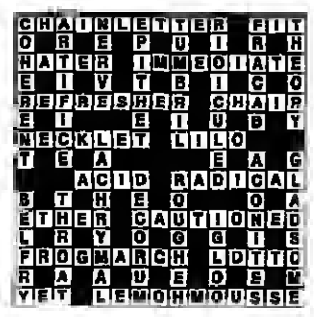
No. 8,925 Set by QUARK



ACROSS
1 Part of my brief is calculation of government finances (6)
4 Showed concern about favourite brought to book (8)
10 Desires for food very small in certain animals (9)
11 The City comes to the fore, we hear (5)
12 The school getting money in return (4)
13 One's charges are quite small (4-6)
15 Last bit of icing seen in feature on bun (7)
16 Dunce, empty, with exam to hate (6)
19 Came to the same conclusion – grade E unacceptable (6)
21 Hotel taking in the Spanish sausage (7)
23 Super holds unusual PC bleat to be tolerable (10)
25 Cause to join equipment round the pole (4)
27 Father's cheers for Italian food (5)
28 Gets in front of character seen in the churchyard? (9)
29 Tasteless articles by untidy shore getting variable resistance (8)
30 Scarcity of land to a small degree (6)

DOWN
1 Gypsy song: serviceman under bit of fire (8)
2 Imagining drink leading to asking the question (9)
3 Officer in a round voice (4)
5 Put to the test when days with sea very rough (7)
6 Aviate? Pill sent round (one to give relief) (10)
7 Stand a drink? A source of great satisfaction (5)
8 Leave the barren place (6)
9 Press pictures turning up in error (6)
14 Maintains low key (below the drama?) (10)
17 Short spell round works showing dazzling display (9)
18 Does one see the dentist with them? (6)
20 Church takes part in exciting event for money (7)
21 Some insult angering a ruler (6)
22 Meat for every food basket? (6)
24 Throw English class (5)
26 Man, for example, tops yarn (4)

Solution 8,924



JOTTER PAD

INTERNATIONAL CAPITAL MARKETS

European sector shrugs off mixed economic data

By Richard Lapper and Antonia Sharpe in London, and Lisa Bransten in New York

Contrasting news on European economic fundamentals provided the main focus of interest in a generally quiet day on government bond markets yesterday. But the figures – showing higher than expected inflation for Italy and slower growth in France – had little impact on trading, with markets drifting sideways ahead of tomorrow's Thanksgiving Day holiday in the US.

Trading volumes were thin. Analysts said the US budget breakthrough achieved over the weekend had been discounted and that positive sentiment was giving way to new concern about the next deadline in mid-December.

■ Rumours on Monday of worse than expected Italian CPI figures proved well-founded, with the November CPI for Italy's main cities rising by 0.6 per cent over the month, pushing the headline inflation rate back up to 6 per cent from October's 5.8 per cent.

Mr David Brown, chief European economist at Bear Stearns, said the news "is bound to crystallise market nervousness at the front end of the Italian curve that the monetary authorities could be forced to toughen up on interest rates again".

Most investors had discounted the news on Monday, when 10-year December bond futures lost more than half a point. Yesterday, prices ended the day down 0.06, before gaining nearly a quarter point in APT trading. In the cash market, however, 10-year bonds under-performed – with the yield spread over Germany widening by 7 basis points to 539 points.

Next Monday, the Treasury will hold the first buy-back of government bonds, maturing between September 1 1996 and March 31 1998. It will be the first time proceeds from privatisations have been used to reduce the national debt.

GOVERNMENT BONDS

The Treasury said the buy-back would take the form of a competitive auction for specialist bond traders. It will announce the three issues involved on November 24.

■ News of weaker than expected industrial and manufacturing output figures for September confirmed fears that the French economy is slowing, potentially reducing tax revenues and jeopardising fiscal deficit reduction targets.

Mr Graham McDevitt, bond strategist at Banque Paribas, said the figures increased the likelihood of a cut in French interest rates but had little impact on trading.

Bond prices drifted lower, with the 10-year bond future losing 0.18 in floor trading on Matif. The Pibor contract lost some of its recent gains, falling by 0.07 to close at 3.43.

■ The German market remained range-bound. On Liffe, 10-year futures prices tested a low of 97.25 before rebounding to settle 0.09 higher at 97.38. The three-month euromark future ended unchanged.

Mr McDevitt said the markets lacked upward momentum in the absence of activity in Treasuries but "no selling pressure was coming through".

■ In line with the general trend, gilts were also little changed. Worse than expected non-EU trade figures showed a deterioration in the trade deficit but had little impact.

■ Two high yielding markets continued their recent rallies, with currency strength boosting Swedish bonds and hopes of an interest rate cut buoying the Spanish market.

In the 10-year sector, Swedish yield spreads over Germany narrowed by 5 basis points to 257 points, while Spanish yields over Germany also came in by 5 basis points to 417 points.

■ US Treasury prices were lower in early trading as traders prepared for an afternoon auction of 10-year notes.

Near midday, the benchmark 30-year Treasury was off $\frac{3}{16}$ at 108¼ to yield 6.255 per cent and, the two-year note was $\frac{1}{32}$ lower at 100¼, yielding 5.468 per cent.

At 1pm, the Treasury Department was to auction $13.5bn in 10-year notes and prices generally decline just before auctions as traders try and boost yields to make the securities more attractive. When-issued 10-year notes were yielding about 5.91 per cent. Healthy demand was shown at Monday's auction of $18bn in three-year notes.

Also weighing on the market was naws that chain store sales increased by a seasonally adjusted 0.1 per cent last week, according to the Mitsubishi Bank/Schrodar Werthaim index and were 5.5 per cent higher year-on-year.

Traders were looking to the Johnson Redbook retail sales report, dne to be released near 3pm, for more insight into consumer spending patterns.

Sweden offers $2bn jumbo

By Conner Middelmann

The Kingdom of Sweden yesterday took advantage of continuing Japanese retail appetite for foreign currency-denominated bonds by issuing a $2bn jumbo offering of three-year paper.

The 4.5 per cent bonds yield 5.08 per cent – more than 40 basis points below comparable US Treasuries. "For an Aa3/AA+ rated borrower, that's quite an achievement," said one syndicate dealer.

However, according to lead manager Yamaichi International, Japanese retail investors – hungry for assets that yield more than domestic saving instruments at a time when huge amounts of higher-yielding savings are falling due – are shrugging off the less-than-generous terms. Also, dealers said, Japanese retail investors tend not to invest in US Treasuries, which are hard to trade in small lots.

Having gauged investor demand through its retail network, Yamaichi expects to sell the issue to between 100,000 and 120,000 retail investors in coming weeks. Many of these investors will see redemptions of their savings instruments in December, when nearly Y20,000bn of investments mature, Yamaichi said.

INTERNATIONAL BONDS

Moreover, an estimated Y5,600bn of year-end bonuses will be seeking a home for investment, it added.

The average return on the instruments maturing in December – including government bonds, bank debentures and bank deposits – is around 5 per cent. That compares with current yields on similar investments in the range of 0.5 per cent to 2.5 per cent, Yamaichi says.

The European Bank for Reconstruction and Development also tapped the Japanese retail sector, albeit with a more modest $100m offering of 5.23 per cent five-year bonds via Wako International.

Elsewhere, KfW, the German reconstrnction agency, launched a successful $400m issue of five-year bonds via Deutsche Morgan Grenfell and Merrill Lynch.

The issue was welcomed by continental European (especially Swiss and German) investors and Asian accounts, and was sold out soon after launch. Helped by the softer tone in US Treasuries, the yield spread narrowed to 15 basis points, from 18 points at launch.

● Moody's Investors Service yesterday assigned a first-time A1 rating to the City of Naples to apply to securities denominated in foreign currencies or Italian lire.

Moody's said that although Naples was in financial difficulty, and thus under an order of protection from trade creditors, it had continned to be current on all financial obligations, and should remain so for the foreseeable future.

Several Italian municipalities are in the process of obtaining credit ratings, reflecting anticipated legislative changes that will allow local authorities to issue debt in the public markets. IBCA, the European rating agency, last month assigned a triple-A rating to the municipal authority for Rome.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Sweden§★	2bn	4.50#	98.084	Mar.1999	1.20	-	Yamaichi Intl.(Europe)
KfW International Finance	400	5.75	99.32R	Dec.2000	0.25R	+18(5¾%-00)	Deutsche MG/ Merrill Lynch
EBRD★	100	5.23#	100.00	Jan.2001	1.20	-	Wako International(Europe)
CE Casecnan Water(a)‡	75	(a1)	(a1)	Nov.2002	2.00	-	CS First Boston
Banco de Galicia	50	10.875#	100.00R	Dec.1997	0.50R	+545(5¾%-97)	Chase Investment Bank
SWISS FRANCS							
JP Morgan & Co.	200	3.75	102.40	Jan.2003	2.50	-	del Gottardo/ Zürcher
STERLING							
Prospect 2, Tranche A(b1)‡	172	(b2,s)	98.875R	Nov.2005	0.20R	-	Barclays de Zoete Wedd
Prospect 2, Tranche B(b3)‡	13.7	(b4,s)	100.00R	Nov.2007	0.50R	-	Barclays de Zoete Wedd
Prospect 2, Tranche C(b3)‡	6.85	(b5,s)	100.00	Nov.2010	0.50R	-	Barclays de Zoete Wedd
Computacenter Services Grp.(c)	60	10.00	99.985R	Nov.2002	2.00R	+225(8¾%-02)	Bankers Trust International
LUXEMBOURG FRANCS							
Parbel International Finance(§)	2bn	7.00	100.55	Mar.2004	1.75	-	Banque Paribas Luxembourg
Deutsche Bank Finance(s)	2bn	6.50	102.45	Dec.2003	2.00	-	Banque Générale du Lux.
Kredietbank Luxembourg	2bn	6.00	102.70	Jan.2001	1.75	-	Kredietbank Luxembourg
PESETAS							
European Investment Bank	15bn	10.35	101.46	Dec.2005	1.875	-	Bco. Santander de Negocios
European Investment Bank(d)	10bn	10.125	101.686	Oct.2000	1.625	-	Bco. Santander de Negocios
DANISH KRONER							
Norddeutsche Landesbank	400	7.00	101.65	Jan.2002	1.875	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Amortises from 15/11/00: average life 5.85 yrs. a1) Priced later: 3-mth Libor + approx 300bp. b) Secured by revolving personal loans originated by HFC Bank. Callable on coupon dates from 15/11/98 at par. b1) Expected average life: 4.9 yrs. b2) 3-mth Libor +15bp to 15/11/01 and +50bp thereafter. b3) Expected average life: 8 yrs. b4) 3-mth Libor +40bp to 15/11/01 and +80bp thereafter. b5) 3-mth Libor +50bp to 15/11/01 and +100bp thereafter. c) Spens call provision applies. d) Fungible with Pta15bn. Plus 60 days accrued. § Long 1st coupon. s) Short 1st coupon.

Mol issue priced at the bottom of indicated range

By Antonia Sharpe in London and Virginia Marsh in Budapest

EQUITY OFFERING

A cautious response from international investors caused the international offering of shares in Mol, Hungary's national oil and gas company, to be priced at Ft1,100 a share yesterday, at the bottom of the indicated price range of Ft1,100 to Ft1,450.

The government also decided to scale back the size of the offering to 18.5m shares, or 18.8 per cent of the company, from an original target of 24.6m shares or 25 per cent.

The Mol sale will raise Ft20.4bn ($153m), or slightly more if an over-allotment or "greenshoe" option of 3.5m shares is exercised.

The proceeds will help the government to go part of the way to meeting its Ft150bn privatisation target for this year.

Bankers involved in the transaction, the largest central European primary equity offering to date, said Mol had encountered the same investor cantion which manifested itself during the Italian government's privatisation of Eni, its oil and gas company, and the Indonesian government's privatisation of PT Telkom, its telecoms company.

In the case of Eni, the offering was scaled back and the shares priced at the bottom of the range. Poor response from foreign investors forced the Indonesian government to halve the size of the international tranche of the PT Telkom sale and to set a price below the indicated range.

Bankers said demand for Mol shares was split equally between the UK and the US, with a spread of interest from specialist emerging-market and natural resources funds.

However, they added that US investors had been much more cautious than their European counterparts, expressing concern about tha political risk associated with Hungary.

Dresdner-Kleinwort Benson, Lazard and Merrill Lynch, the joint global co-ordinators, will allocate shares to international investors today. A further 3 per cent of the share capital will be sold in a domestic offer next week via Creditanstalt.

The shares on offer to foreign investors will be global depositary shares, which are equal to Mol's ordinary shares. Mol has applied to have the GDSs listed on the Budapest and Luxembourg exchanges. They will also be quoted on Seaq International in London.

The Mol offering will be provide a boost to the Budapest stock exchange which, with a total market capitalisation just $1.6bn, is much smaller than those of Prague or Warsaw.

The sale forms part of the government's radical plans to privatise the energy sector. It had originally planned to sell 30 to 35 per cent of Mol to strategic partners, but this strategy was abandoned after strong domestic opposition.

Prior to tha offering, the government held 88.3 per cent of Mol's share capital with the remainder traded over-the-counter in Hungary. A further 6 per cent is being offered to employees and management, leaving the government with about 60 per cent. It intends to reduce its stake further to 25 per cent plus a golden share.

Mol is Hungary's largest company and one of Europe's top 15 oil and gas ntilities. The value of its oil and gas assets is put at around $1.8bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	93.8600	-0.070	8.44	8.81	8.58
Austria		6.500	11/05	97.9800	-	6.78	6.79	7.08
Belgium		6.500	03/05	97.8800	-0.080	6.84	6.83	7.18
Canada *		8.750	12/05	108.6400	+0.290	7.51	7.60	7.72
Denmark		7.000	12/04	96.3000	-	7.58	7.81	7.93
France	BTAN	7.750	04/00	105.8750	-0.130	6.17	6.31	6.87
	OAT	7.750	10/05	105.1500	-	7.02	7.09	7.55
Germany Bund		6.500	10/05	101.1200	+0.070	6.34	6.32	6.81
Ireland		6.250	10/04	90.4500	-	7.77	7.89	8.28
Italy		10.500	09/05	94.9100	-0.190	11.37†	11.35	11.47
Japan	No 129	6.400	03/00	120.3830	+0.037	1.39	1.48	1.57
	No 174	4.600	09/04	112.9610	+0.037	2.77	2.75	2.74
Netherlands		6.750	11/05	102.6000	-0.060	6.38	6.34	6.68
Portugal		11.875	02/05	106.7500	+0.150	10.67	10.88	11.25
Spain		10.150	01/06	98.0600	+0.480	10.51	10.61	10.98
Sweden		6.000	02/05	82.1420	+0.325	8.92	9.18	9.40
UK Gilts		8.000	12/00	103-15	-1/32	7.16	7.21	7.67
		8.500	12/05	105-03	+2/32	7.76	7.82	8.15
		8.000	10/08	108-29	+2/32	7.88	7.94	8.26
US Treasury *		6.500	08/05	104-01	-4/32	5.95	5.96	6.08
		6.875	08/25	108-06	-7/32	6.28	6.29	6.42
ECU (French Govt)		7.500	04/05	100.6400	+0.020	7.39	7.45	7.61

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	4.83	Two year	5.49
Prime rate	8¾	Two month	5.63	Three year	5.56
Broker loan rate	7½	Three month	5.51	Five year	5.68
Fed funds	5¾	Six month	5.49	10-year	5.95
Fed funds at intervention		One year	5.43	30-year	6.27

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118.80	118.62	-0.18	118.92	118.72	8,084	109,602
Mar	118.00	117.96	-0.18	118.00	117.94	1,470	13,327
Jun	118.22	118.10	-0.30	118.22	118.14	322	3,026

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.33	97.38	+0.09	97.48	97.22	108618	185638
Mar	96.78	96.79	+0.09	96.85	96.65	12927	27487

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9700	0.42	0.42	0.69	0.88	0.04	0.63	0.90	1.10
9750	0.08	0.23	0.48	0.66	0.20	0.94	1.18	1.37
9800	0.01	0.12	0.31	0.48	0.63	1.33	1.52	1.89

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.30	103.06	-0.06	103.40	102.66	44126	43367
Mar	102.60	102.72	-0.06	102.84	102.50	450	3576

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10300	0.32	1.63	0.26	2.11
10350	0.09	1.61	0.52	2.39
10400	0.03	1.40	0.97	2.68

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	90.57	90.94	+0.37	91.02	90.35	81,182	33,600
Mar	90.44	90.80	+0.05	90.50	90.44	1,009	2,717

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-12	108-10	+0-01	109-15	108-08	31396	105864
Mar	107-24	107-23	+0-01	107-26	107-22	3198	5702

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
108	0-31	0-53	1-18	1-36	0-11	1-07	1-37	1-54
109	0-05	0-29	0-55	1-08	0-49	1-47	2-20	2-26
110	0-01	0-15	0-36	0-50	1-45	2-33	2-54	3-04

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.74	88.88	+0.02	88.88	88.68	1,487	8,864

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	117-23	117-17	-0-07	117-29	117-14	200,796	346,148
Mar	117-08	117-06	-0-07	117-18	117-05	15,855	40,092
Jun	116-27	116-24	-0-02	117-01	116-27	924	12,919

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.21			122.24	122.05	2334	0
Mar	120.86			120.90	120.71	2391	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Nov 21	Day's change %	Mon Nov 20	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	122.50	+0.01	122.49	2.02	9.72
2 5-15 years (21)	147.02	-0.02	147.05	1.24	11.73
3 Over 15 years (9)	164.03	-	164.03	2.07	12.13
4 Irredeemables (6)	186.87	-0.12	187.08	0.86	13.47
5 All stocks (58)	142.71	-0.01	142.72	1.73	11.18
Index-linked					
6 Up to 5 years (1)	194.45	-0.07	194.59	0.63	8.37
7 Over 5 years (11)	187.37	-0.20	187.75	1.17	4.45
8 All stocks (12)	187.40	-0.20	187.77	1.16	4.54

	Low coupon yield Nov 21	Nov 20	Yr. ago	Medium coupon yield Nov 21	Nov 20	Yr. ago	High coupon yield Nov 21	Nov 20	Yr. ago
5 yrs	7.25	7.24	8.42	7.25	7.25	8.48	7.33	7.32	8.61
15 yrs	7.88	7.88	8.42	7.94	7.94	8.53	8.01	8.00	8.79
20 yrs	7.95	7.95	8.40	7.98	7.98	8.53	8.04	8.04	8.70
Irred.†	8.04	8.03	8.46						

	Inflation 5% Nov 21	Nov 20	Yr. ago	Inflation 10% Nov 21	Nov 20	Yr. ago
Up to 5 yrs	2.78	2.75	3.88	1.59	1.54	2.54
Over 5 yrs	3.58	3.56	3.84	3.37	3.35	3.66

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 21	Nov 20	Nov 17	Nov 16	Nov 15	Yr ago	High*	Low*
Govt. Secs. (UK)	94.73	94.56	94.73	94.82	94.33	81.86	95.51	90.22
Fixed Interest	113.91	113.36	113.53	113.09	112.82	108.33	114.65	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 20	Nov 17	Nov 16	Nov 15	Nov 14
Gilt Edged bargains	88.0	98.0	109.3	108.5	78.5
5-day average	96.8	93.8	90.3	85.8	79.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 21

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Sterling continues recovery from record low

By Philip Gawith

Sterling yesterday shook off the impact of a larger than expected trade deficit to continue its recovery off the record lows seen last week.

There were no news developments to explain the move, which was a mirror image of the slide on Friday which took place for no apparent reason. On a trade weighted basis, sterling finished in London at 82.7, from 82.2. Against the D-Mark it finished at DM2.1949, from DM2.1842, while against the dollar it closed at $1.559 from $1.5463.

Markets were generally very quiet, with the dollar remaining range-bound, and this setting the tone for trading across the board. With US markets set to shut down on Thursday for the Thanksgiving weekend, foreign exchanges look set to remain quiet in the short term. The dollar closed at DM1.4079, from DM1.4125. Against the yen it finished at Y101.355, from Y101.33.

The D-Mark was little changed in Europe. Against the French franc it closed at FFr3.448 from FFr3.446.

■ Foreign exchange markets appear to have got bored with the budget tedium in the US, but have not found any other *compelling* themes to take its place. In the meantime, budget inertia looks set to weigh on the *dollar*, possibly for some time yet. President Reagan, for example, once went on signing *spending resolution* extensions for nearly a year.

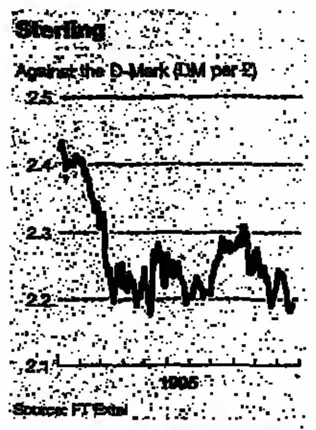
The announcement of a Bosnian peace deal was ignored by markets, which appeared to be resolutely in the grip of pre-Thanksgiving fever. Traders reported little evidence of corporate business, while some investors are thought to have effectively shut down for the year already.

■ The area attracting most discussion currently in the markets concerns the outlook for German interest rates. Mr Steve Hannah, head of research at IBJ International in London, said they believed "that the Bundesbank might be prepared to cut rates a lot earlier than the markets expect."

He said that recent survey and inflation evidence all pointed to the same picture "which is that monetary conditions are too tight. There is a reasonable chance that Germany may *cut* as early as *next* week," said Mr Hannah.

Ms Alison Cottrell, international economist at Paine Webber in London, said that this view had appeal on grounds of "interest rate diplomacy" - the view that while international considerations will not prompt a rate change, they can affect the timing, in order to obtain maximum political advantage.

"*It is the domestic context* which provides the motivation. If, but only if, the motivation is there, politics naturally affects the timing," said Ms Cottrell. Looking back to the timing of all Bundesbank moves in official rates since the start of 1993, Ms Cottrell demonstrates an impressive correlation between these events and important international meetings, such as G7 gatherings, following soon after. On nine of the twelve occasions, a relationship can be established.



In this case, the timing issue revolves around the EU summit in Madrid on December 15-16, and the Franco-German summit in the preceding week. The feeling is that the Bundesbank would not want to change policy at the December 14 meeting, so close to the summit, and would anyway be preoccupied at that meeting with discussion of a new M3 target. This puts the spotlight on the November 30 meeting of the Bundesbank council.

■ Sentiment towards sterling appears to be less bearish than at the end of last week. Mr Hannah said sterling weakness had been a response to fears that the government might "over-egg the fiscal pudding". But he added: "If they cut interest rates against the background of a tight budget and a cut in German interest rates, I don't think that will do sterling any harm."

Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said that while he could see the "humanitarian" case for lower rates, the economic case did not currently exist. But if political exigencies require one, then "our problem is that we do not think the markets will react nicely to any of the choices available to the Chancellor," said Mr Weinberg.

In its daily operations the Bank of England provided £401m assistance towards clearing a £650m money market *shortage*.

■ **Pound in New York**

Nov 21	Latest	Prev. close
£ spot	1.5580	1.5541
1 mth	1.5567	1.5527
3 mth	1.5548	1.5509
1 yr	1.5443	1.5403

■ **OTHER CURRENCIES**

Nov 21	£	$
Czech Rp	40.7730 - 40.8089	26.1600 - 26.1700
Hungary	206.733 - 206.904	132.640 - 132.690
Iran	4677.90 - 4675.80	3000.00 - 3000.00
Kuwait	0.4671 - 0.4675	0.2997 - 0.2998
Poland	3.8575 - 3.8608	2.4750 - 2.4760
Russia	7116.85 - 7118.13	4564.00 - 4567.00
U.A.E.	5.7236 - 5.7272	3.6724 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Nov 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.4431	+0.0735	347 - 514	15.4651	15.3888	15.4127	2.4	15.3541	2.3	-	-	107.1
Belgium	(BFr)	45.1238	+0.2331	059 - 417	45.1900	44.9090	45.0188	2.8	44.8238	2.7	44.0388	2.4	109.7
Denmark	(DKr)	8.5057	+0.042	014 - 099	8.5182	8.4659	8.498	1.1	8.4815	1.1	8.419	1.0	110.0
Finland	(FM)	6.5594	+0.0482	520 - 667	6.5720	6.4930	6.555	0.6	6.5489	0.8	-	-	88.8
France	(FFr)	7.5687	+0.0418	662 - 712	7.5837	7.5413	7.5853	0.5	7.5776	-0.5	7.5743	-0.1	110.8
Germany	(DM)	2.1949	+0.0107	937 - 960	2.1984	2.1833	2.1901	2.7	2.1804	2.6	2.1392	2.5	112.4
Greece	(Dr)	363.095	+1.168	920 - 270	363.847	361.274	-	-	-	-	-	-	66.9
Ireland	(I£)	0.9699	+0.0027	690 - 707	0.9707	0.9657	0.9691	1.0	0.9678	0.6	0.9646	0.6	97.6
Italy	(L)	2479.28	+12.39	786 - 069	2481.98	2469.59	2486.53	-3.5	2501.43	-3.8	2569.58	-3.6	69.9
Luxembourg	(LFr)	45.1238	+0.2331	059 - 417	45.1900	44.9090	45.0188	2.8	44.8238	2.7	44.0388	2.4	109.7
Netherlands	(Fl)	2.4577	+0.0124	564 - 590	2.4621	2.4458	2.452	2.6	2.4408	2.8	2.3951	2.5	109.8
Norway	(NKr)	9.7058	+0.0775	999 - 113	9.7132	9.5886	9.6932	1.5	9.6714	1.4	9.5959	1.1	98.8
Portugal	(Es)	229.743	+1.014	613 - 872	230.087	228.845	230.283	-2.8	231.503	-3.1	-	-	95.8
Spain	(Pta)	188.805	+0.945	715 - 894	189.088	187.989	189.305	-3.2	190.245	-3.1	194.645	-3.1	81.6
Sweden	(SKr)	10.1699	+0.0131	608 - 788	10.2109	10.1555	10.172	-0.3	10.1766	-0.3	10.1999	-0.3	87.4
Switzerland	(SFr)	1.7735	+0.0104	724 - 745	1.7761	1.7652	1.7684	4.8	1.7546	4.3	1.7018	4.1	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.7
Ecu	-	1.1970	+0.0056	965 - 975	1.1995	1.1930	1.198	1.0	1.194	1.0	1.1855	1.0	-
SDR†	-	1.035400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5587	+0.0126	583 - 591	1.5595	1.5517	-	-	-	-	-	-	-
Brazil	(R$)	1.5030	+0.015	025 - 035	1.5038	1.4913	-	-	-	-	-	-	-
Canada	(C$)	2.1066	+0.0179	057 - 074	2.1083	2.0977	2.1077	-0.6	2.1097	-0.6	2.1135	-0.3	84.5
Mexico	(New Peso)	12.0195	+0.1903	856 - 534	12.0534	11.9731	-	-	-	-	-	-	-
USA	($)	1.5590	+0.0127	586 - 593	1.5600	1.5517	1.5577	1.0	1.5557	0.8	1.5454	0.9	92.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0913	+0.0198	901 - 925	2.0940	2.0810	2.0926	-0.7	2.0955	-0.8	2.1102	-0.9	85.3
Hong Kong	(HK$)	12.0563	+0.098	528 - 598	12.0638	12.0008	12.0528	0.3	12.0404	0.5	12.0068	0.4	-
India	(Rs)	54.2515	+0.448	159 - 870	54.2870	54.0480	-	-	-	-	-	-	-
Israel	(Shk)	4.7893	+0.0058	844 - 942	4.8062	4.7541	-	-	-	-	-	-	-
Japan	(Y)	158.007	+1.32	933 - 082	158.330	157.270	157.147	6.5	155.352	6.7	146.307	6.1	141.3
Malaysia	(M$)	3.9637	+0.0392	620 - 653	3.9672	3.9409	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3867	+0.0094	850 - 883	2.3893	2.3802	2.3926	-3.0	2.4019	-2.5	2.4275	-1.7	100.6
Philippines	(Peso)	40.8991	+0.3396	665 - 316	40.9316	40.6665	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8472	+0.0476	456 - 488	5.8505	5.8206	-	-	-	-	-	-	-
Singapore	(S$)	2.2020	+0.0171	007 - 033	2.2046	2.1922	-	-	-	-	-	-	-
South Africa	(R)	5.6840	+0.0373	819 - 860	5.6885	5.6598	-	-	-	-	-	-	-
South Korea	(Won)	1199.02	+2.08	872 - 941	1204.81	1193.57	-	-	-	-	-	-	-
Taiwan	(T$)	42.5843	+0.3108	716 - 970	42.6098	42.3693	-	-	-	-	-	-	-
Thailand	(Bt)	39.1764	+0.3148	520 - 008	39.2030	39.0100	-	-	-	-	-	-	-

† Rates for Nov 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9061	-0.0335	029 - 092	9.9325	9.8955	9.891	1.6	9.8609	1.8	9.7518	1.8	107.1
Belgium	(BFr)	28.9450	-0.098	400 - 500	29.0120	28.9200	28.904	1.7	28.825	7.7	28.525	1.5	109.2
Denmark	(DKr)	5.4560	-0.0175	545 - 575	5.4695	5.4494	5.4588	-0.2	5.4525	0.3	5.462	-0.1	109.2
Finland	(FM)	4.2076	-0.0032	038 - 113	4.2277	4.1909	4.2072	0.1	4.2061	0.1	4.2016	0.1	88.0
France	(FFr)	4.8550	-0.0127	545 - 555	4.8685	4.8510	4.8563	-0.3	4.8588	-0.3	4.8713	-0.3	110.4
Germany	(DM)	1.4079	-0.0046	075 - 083	1.4120	1.4060	1.4059	1.7	1.4017	1.7	1.3861	1.5	111.6
Greece	(Dr)	232.910	-1.15	850 - 970	233.780	232.540	234.635	-8.9	237.835	-8.5	251.31	-7.9	66.3
Ireland	(I£)	1.6074	+0.0066	064 - 084	1.6115	1.6025	1.6076	-0.1	1.6077	-0.1	1.6141	-0.4	-
Italy	(L)	1590.35	-5	980 - 090	1594.79	1589.80	1597.1	-5.1	1609.15	-4.7	1666.35	-4.8	69.3
Luxembourg	(LFr)	28.9450	-0.086	400 - 500	29.0120	28.9200	28.904	1.7	28.825	1.7	28.525	1.5	109.2
Netherlands	(Fl)	1.5765	-0.0049	760 - 770	1.5817	1.5748	1.5738	2.0	1.5688	2.0	1.5488	1.6	109.2
Norway	(NKr)	6.2258	-0.0007	235 - 280	6.2395	6.1807	6.222	0.7	6.2158	0.6	6.2058	0.3	98.1
Portugal	(Es)	147.370	-0.55	320 - 420	147.790	147.310	147.835	-3.8	148.845	-4.0	153.47	-4.1	95.9
Spain	(Pta)	121.110	-0.38	080 - 140	121.410	121.010	121.49	-3.8	122.26	-3.8	125.755	-3.8	81.3
Sweden	(SKr)	6.5235	-0.0449	192 - 278	6.5726	6.5192	6.541	-3.2	6.5775	-3.3	6.746	-3.4	86.7
Switzerland	(SFr)	1.1376	-0.0026	372 - 380	1.1412	1.1367	1.134	3.6	1.1279	3.4	1.1001	3.3	115.9
UK	(£)	1.5590	+0.0127	586 - 593	1.5600	1.5517	1.5577	1.0	1.5557	0.8	1.5454	0.9	81.8
Ecu	-	1.3024	+0.0045	021 - 026	1.3027	1.2988	1.3028	-0.4	1.3035	-0.3	1.3058	-0.6	-
SDR†	-	0.66980	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9641	+0.0016	640 - 642	0.9642	0.9622	-	-	-	-	-	-	-
Canada	(C$)	1.3513	+0.0005	510 - 515	1.3521	1.3486	1.3529	-1.5	1.356	-1.4	1.3683	-1.3	83.5
Mexico	(New Peso)	7.7100	+0.06	900 - 300	7.7300	7.6750	7.7123	-0.4	7.7154	-0.3	7.7203	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3414	-0.0021	410 - 419	1.3419	1.3410	1.3432	-1.6	1.3468	-1.6	1.3665	-1.9	107.1
Hong Kong	(HK$)	7.7336	+0.0001	331 - 341	7.7341	7.7331	7.7351	-0.2	7.7371	-0.2	7.7573	-0.3	-
India	(Rs)	34.8000	+0.005	850 - 150	34.8400	34.7800	34.95	-5.2	35.255	-5.2	36.725	-5.5	-
Israel	(Shk)	3.0722	-0.0213	697 - 746	3.0900	3.0600	-	-	-	-	-	-	-
Japan	(Y)	101.355	+0.025	330 - 380	101.800	101.190	100.86	5.9	99.94	5.6	96.085	5.2	141.6
Malaysia	(M$)	2.5425	+0.0045	420 - 430	2.5452	2.5360	2.5425	0.0	2.5429	-0.1	2.5505	-0.3	-
New Zealand	(NZ$)	1.5309	-0.0064	302 - 316	1.5339	1.5302	1.535	-3.2	1.5425	-3.0	1.5672	-2.4	-
Philippines	(Peso)	26.2350	+0.005	200 - 500	26.2500	26.2200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0002	505 - 508	3.7510	3.7505	3.7513	-0.2	3.7521	-0.1	3.7553	-0.1	-
Singapore	(S$)	1.4125	-0.0005	120 - 130	1.4140	1.4120	1.4091	2.9	1.4028	2.8	1.378	2.4	-
South Africa	(R)	3.6460	-0.0056	455 - 466	3.6480	3.6450	3.6713	-8.3	3.7213	-8.3	3.9525	-8.4	-
South Korea	(Won)	769.150	-4.95	100 - 200	771.800	768.700	772.15	-4.7	775.65	-3.4	794.15	-3.3	-
Taiwan	(T$)	27.3160	-0.0225	140 - 180	27.3180	27.3140	27.396	-0.6	27.576	-0.9	-	-	-
Thailand	(Bt)	25.1300	-0.002	200 - 400	25.1600	25.1200	25.2175	-4.2	24.865	4.2	26.085	-3.8	-

† SDR rate per $ for Nov 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 20: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	6.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4½	8.00	3.50	-
France	[illegible]	5½	[illegible]	5½	[illegible]	4.80	-	6.10
week ago	[illegible]	[illegible]	6	[illegible]	[illegible]	5.00	-	6.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	4.02
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.60
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.70
Switzerland	2	[illegible]	2	[illegible]	[illegible]	5.00	2.00	-
week ago	[illegible]	[illegible]	2	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.60	5.47	5.41	5.37	-	-	-
week ago	-	5.60	5.52	5.48	5.44	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	4 - 3⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	3¾ - 3⅝	[illegible]	3¾ - 3⅝	[illegible]	[illegible]	[illegible]
French Franc	5½ - 5⅜	5⅝ - 5⅜	5½ - 5⅜	[illegible]	[illegible]	5½ - 5⅜
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	9⅝ - 9½	[illegible]	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	2¼ - 2⅛	2⅜ - 2⅛	2⅛ - 2	2⅛ - 2	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible] - 5½	[illegible]	[illegible]	[illegible]	[illegible] - 5½	[illegible]
Italian Lira	10⅜ - 10⅛	[illegible]	[illegible]	[illegible]	[illegible]	10⅝ - 10½
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	1⅜ - 1¼	1¾ - 1⅝	2¼ - 2⅛	2½ - 2⅜	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.42	94.43	+0.02	94.45	94.38	22,347	45,585
Mar	94.69	94.72	+0.03	94.72	94.66	5,290	37,258
Jun	94.80	94.84	+0.04	94.84	94.81	1,770	36,771

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.08	96.08	-	96.08	96.06	9480	125709
Mar	96.27	96.28	+0.02	96.29	96.25	11839	164627
Jun	96.27	96.30	+0.03	96.30	96.25	11128	121580
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE) L1000m points of 100%

[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

[illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.85	16.77	4.865	2.148	5494	5.445	21.51	509.1	418.4	22.54	3.932	2.216	4.668	3.455	350.2	2.653
Denmark	(DKr)	53.04	10	8.897	2.581	1.139	2914	2.889	11.41	270.0	222.0	11.96	2.086	1.176	2.476	1.833	185.8	1.407
France	(FFr)	59.62	11.24	10	2.900	1.280	3276	3.247	12.83	303.5	249.5	13.44	2.344	1.321	2.783	2.060	208.8	1.582
Germany	(DM)	20.56	3.875	3.448	1	0.441	1129	1.119	4.422	104.6	86.01	4.633	0.808	0.456	0.959	0.710	71.98	0.545
Ireland	(I£)	46.56	8.778	7.810	2.265	1	2558	2.536	10.02	237.0	194.8	10.50	1.831	1.032	2.173	1.609	163.1	1.235
Italy	(L)	1.820	0.343	0.305	0.089	0.039	100.	0.099	0.392	9.268	7.616	0.410	0.072	0.040	0.085	0.063	6.374	0.048
Netherlands	(Fl)	18.36	3.462	3.080	0.893	0.394	1009	1	3.950	93.49	76.84	4.139	0.722	0.407	0.857	0.635	64.31	0.487
Norway	(NKr)	46.49	8.764	7.797	2.261	0.998	2554	2.531	10	236.7	194.5	10.48	1.828	1.030	2.170	1.606	162.8	1.233
Portugal	(Es)	19.64	3.703	3.295	0.956	0.422	1079	1.070	4.226	100.	82.19	4.428	0.772	0.435	0.917	0.679	68.78	0.521
Spain	(Pta)	23.90	4.506	4.008	1.163	0.513	1313	1.301	5.141	121.7	100.	5.387	0.940	0.530	1.115	0.826	83.69	0.634
Sweden	(SKr)	44.37	8.364	7.441	2.158	0.953	2438	2.416	9.544	225.9	185.6	10	1.744	0.983	2.071	1.533	155.4	1.177
Switzerland	(SFr)	25.43	4.795	4.266	1.237	0.546	1397	1.385	5.471	129.5	106.4	5.733	1	0.564	1.187	0.879	89.06	0.675
UK	(£)	45.12	8.506	7.568	2.195	0.969	2479	2.457	9.706	229.7	188.8	10.17	1.774	1	2.106	1.559	158.0	1.197
Canada	(C$)	21.42	4.039	3.594	1.042	0.460	1177	1.167	4.608	109.1	89.65	4.829	0.842	0.475	1	0.740	75.02	0.568
US	($)	28.94	5.456	4.854	1.408	0.622	1590	1.576	6.226	147.3	121.1	6.523	1.138	0.641	1.351	1	101.3	0.768
Japan	(Y)	28.56	5.384	4.790	1.389	0.613	1569	1.555	6.143	145.4	119.5	6.437	1.123	0.633	1.333	0.987	100.	0.758
Ecu		37.69	7.108	6.322	1.834	0.810	2071	2.053	8.108	191.6	157.7	8.496	1.482	0.835	1.759	1.302	132.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7118	0.7103	-0.0020	0.7122	0.7093	22,190	51,615
Mar	0.7132	0.7135	-0.0021	0.7137	0.7126	202	4,322
Jun	-	0.7165	-0.0002	-	0.7345	6	541

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9917	0.9893	+0.0054	0.9923	0.9880	20,126	62,650
Mar	1.0030	1.0034	+0.0059	1.0038	0.9980	727	9,870
Jun	1.0140	0.9985	+0.0003	1.0150	1.0140	15	395

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8818	0.8804	-0.0014	0.8820	0.8793	13,096	35,565
Mar	0.8883	0.8887	-0.0014	0.8893	0.8877	271	2,252
Jun	-	0.8965	-	-	-	4	483

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5472	1.5558	+0.0122	1.5572	1.5472	11,984	48,063
Mar	1.5500	1.5536	+0.0128	1.5540	1.5490	3,586	3,458
Jun	-	1.5500	-	1.5500	-	2	10

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

[illegible]

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

[illegible]

■ **EMS EUROPEAN CURRENCY UNIT RATES**

[illegible]

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

[illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

[illegible]

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

[illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

[illegible]

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine. 0891 437 001. Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Savings 8pc Cm 2nd Pf		50½xd	----	60	50¼	6.31	19.0	-
Cater Allen	♣v	464	-1	525	418	151.2	7.8	1.8
Close Bros	♣♦v□	320	-2	*348½	216¼	384.3	5.4	14.4
Gerrard & Nat	♣v	457xd	-2	400	395	222.0	8.2	14.8
Hambros	v□	203	-5	253	180	359.9	4.7	-
7½pc Cv Pf		97	----	112	84	128.0	8.7	-
Joseph (L)	♣v	463	----	483	353	24.5	4.0	25.6
King & Shaxson	♣v□	115	+1	145	88	28.0	9.8	6.9
Rea Brothers	♣v	40	----	67	44	21.9	2.8	18.0
Schroders	♣†hv□	1303	----	*1478	908¼	1,987	1.4	18.0
N/V	†hv	1098	----	*1180	823¾	463.1	1.6	15.6
Singer & Fried	♣†v□	158	----	110	81	214.4	4.2	11.3
8¼pc Cv Ln 09-14		£129	----	£106	£100	41.7	6.2	-
Union	♣v□	111	----	121	70	28.0	3.4	-
Wintrust	♣v	288	-2	295	200	24.8	4.9	16.5

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

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SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31[illegible]	—	£34	£29	2,186	2.7	Φ
Barlow	‡	[illegible]	—	[illegible]	£4[illegible]	1,741	1.7	Φ
Gold Flds Prop 9		150xa	—	152	118	15.3	7.0	6.8
NK Props		80	—	85	85	3.46	13.7	-
SASOL	♥	661	—	848	435	3,226	2.5	-
SA Brews		£21[illegible]	—	£21[illegible]	£12[illegible]	6,116	1.6	29.0
Standard Bank	□	£27[illegible]	[illegible]	£27[illegible]	£20[illegible]	3,284	1.7	18.9
Tiger Oats		1080	—	1087	700	1,594	1.9	Φ
Tongaat-Hulett	†	882	—	882	638	803.9	2.2	16.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- - Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. ‖ Figures based on prospectus or other official estimates. a Assumed dividend yield after rights issue. b Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

GT Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

Caiplus Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

DIT Dresdner Global Strategies Fund

ISLE OF MAN (SIB RECOGNISED)

CMI Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Foreign & Colonial Mngmt - Contd.

John Govett Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Danske Fund (x)

Den norske Bank

Mercury Asset Management S.A. - Contd.

LUXEMBOURG (REGULATED)(**)

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Citimarkets SA

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

Global Asset Management - Contd.

Magnum Funds

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Earnings worries and placing talk hit equities

By Steve Thompson,
UK Stock Market Editor

The FT-SE 100 index only just managed to cling on to the 3,600 level yesterday as another damaging profits warning, increasing nervousness about Wall Street and rumours of several big placings combined to drive shares lower.

There was talk, late in the day, of a big stock placing in one of the leading banks. The market was also rife with suggestions that LVMH, the French luxury goods company, had sold its near 20 per cent stake in Guinness to Goldman Sachs, the US investment bank, via a bought deal, a story denied by Goldman. Another wild suggestion was that Grand Metropolitan, the spirits group, had agreed to buy the stake.

It was also said that a block of around 20m Coats Viyella shares was on offer from a big US broker.

At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 finished a net 24.7 weaker at 3,604.1, while its junior index, the FT-SE Mid 250, moved in tandem, finally settling 25.6 off at 3,941.2.

The setback in the market was all the more worrying given that there were a number of strong performers among the leaders, notably Cable and Wireless, driven by another burst of takeover speculation ahead of the shock news that both Lord Young, the chairman, and Mr James Ross, the chief executive, were leaving the company.

BT was another big Footsie winner, the shares romping ahead late in the session amid talk of big switching out of Vodafone, the market leader in the UK cellular market. US investors, which own 47 per cent of Vodafone, were said to be moving out of the stock after the interim results.

It was the latest profits warning, this time from De La Rue, the banknotes printer and paper group, that caused widespread dismay to a market still reeling from warnings from Arjo Wiggins Appleton, Rexam, Calor, BICC, and Ladbroke, among others. De La Rue shares went into a tailspin, plunging in excess of 20 per cent.

Wall Street's skittish performance overnight saw the Footsie open more than 16 points lower and the market never really recovered its poise. Apart from an early bout of cheap buying, dealers said that the action was almost all on the sell side and included some small-scale programme trade activity.

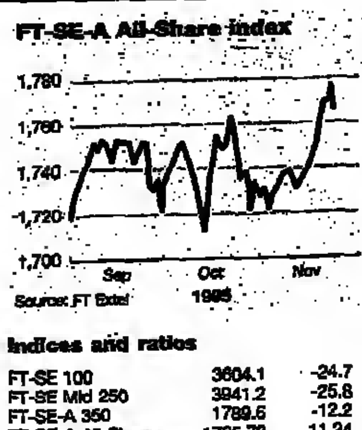
The Dow Jones Industrial Average opened easier yesterday bot then rallied and regained the 5,000 level an hour after London closed.

Marketmakers said Wall Street's improvement, coupled with a firmer trend in bonds after hours could see London make progress at the outset this morning. They warned, however, that UK shares were already discounting interst rate reductions and a "good" Budget.

Turnover in equities reached 909.9m shares, the heaviest for some time, and was marked by a large number of tax-related trades in underperforming stocks such as BT, British Gas and Hanson.

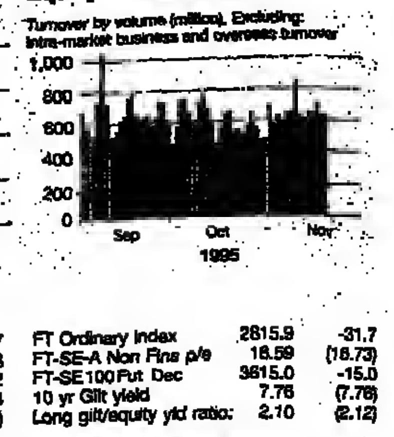
There was again some big activity in the food retailers, which were hit by worries about the price war. Customer business on Monday was worth £1.67bn.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3604.1	-24.7
FT-SE Mid 250	3941.2	-25.8
FT-SE-A 350	1789.6	-12.2
FT-SE-A All-Share	1765.73	-11.24
FT-SE-A All-Share yield	3.82	(3.80)
FT Ordinary index	2615.9	-31.7
FT-SE-A Non Fins p/e	16.59	(16.73)
FT-SE 100 Fut Dec	3615.0	-15.0
10 yr Gilt yield	7.76	(7.76)
Long gilt/equity yld ratio:	2.10	(2.12)

Best performing sectors

1 Tobacco .... +1.3
2 Oil, Integrated .... +0.3
3 Breweries .... +0.2
4 Gas Distribution .... +0.2
5 Mineral Extraction .... +0.2

Worst performing sectors

1 Paper, Pkg. & Printing .... -4.9
2 Chemicals .... -2.7
3 Textiles & Apparel .... -2.3
4 Retailers, Food .... -2.2
5 Bldg. Matls. & Merchs. .... -1.9

Orange boost for BAe

British Aerospace soared to second place in the Footsie performance charts, powering ahead by 24 to 773p for a two-day advance of more than 5 per ceot.

A buy note from Credit Lyonnais Laing combined with a general flow of positive good news to drive the shares higher. There were hopes for an early go-ahead for the Eurofighter project, plus renewed speculation that BAe's stake in the Orange mobile phones system would soon be at the centre of corporate activity.

BAe has 31.8 per cent of Hutchison Telecom, which runs the Orange system, and the shareholding is widely estimated to be worth around £2bn. BAe has a market capitalisatioo of some £3.4bn.

Telecoms active

Telecoms shares provided a day of almost non-stop bigh drama. The top management departures at Cable and Wireless were announced after the market close and the shares ended higher in 14m traded. BT racked up turnover of 45m and Vodafone, hit by US selling, saw 37m sbares traded, tbe heaviest single day's activity since March this year.

Most analysts put a positive interpretation on tbe boardroom reshuffle at C&W. "This clears the air, although there could be some share price weakness in the short term," said one leading telecoms analyst yesterday. The stock closed 9 higher at 429p.

In contrast, mobile phones group Vodafone fell 15 to 239p following interim results that disappoioted some analysts and a briefing by tbe company which suggested that the Christmas selling season was proving tough going in the face of keen competition from rival groups.

A string of dividend-related deals was said to lie behind heavy trading in BT, which finished 5½ better at 361½p.

De La Rue drops

Bank note printer De La Rue provided the day's biggest share price upset, tumbling more than 20 per cent in record breaking turnover, following a set of interim results that contained the group's second profits warning in eight months.

The statement sparked an immediate round of earnings downgrades, and hrokers showed little mercy. Henderson Crosthwaite cut back its estimate for this year by 15 per cent to £145m. At the close the shares were deep into new low ground for 1995, off 182 at 718p in turnover of 11m.

Shares in spirits group Guinness closed 6 lower at 467p, after trade of 1.7m, with the group at the centre of a spate of rumours.

One story doing the rounds was that LVMH, the French luxury goods group, was looking to sell its 20 per cent holding in Guinness. Another tale suggested that the stake bad been bought by Goldman Sachs, the US investment bank, and it was looking to place the stock with a variety of institutions, though there was even a story suggesting the stake had been sold on to Grand Metropolitan.

LVMH sold a 4 per cent stake in Guinness last November, redncing it to the present 20 per cent. Under a cross-shareholding agreement, Guinness has a 24 per cent holding in Moet Hennessy, the LVMH cognac and champagne business.

One market specialist yesterday dismissed the talk as "fantasy", while another said: "The shares would have fallen by far more if this deal was about to happen." GrandMet gave up 8 to 434p.

In banks, Abbey National climbed 9 to 601½p after saying tbat third-quarter market share rose substantially and retail margins strengthened.

Building materials shares came off steeply as investors took some of the profits built up in recent weeks. Redland, off almost 5 per cent, Blue Circle and BPB Industries led the way down.

The trigger point for the sell-off looked to be reiterated sell advice on BPB from BZW. The hroker, which turned seller on BPB in October, is unhappy about plasterhoard overcapacity in Germany, where the equivalent of housing starts are running some 20 per cent down this year. However, BZW remains firmly overweight on the sector as a whole.

Redland closed 17 lower at 352p, Blue Cicle ended off 12 at 314p and BPB shed 10 to 315p.

Among builders merchants, Wolseley retreated 9 to 440p; hut timber specialist Meyer International added 3 at 363p ahead of today'a interim results.

British Land fell 14 to 381p after the group said it is raising £222.5m by placing 61.6m shares to fund an acquisition of a portfolio of retail properties. It is the gronp's second eqnity issue this year. British Land is also taking full control of Broadgate Properties in central London.

The placing and open offer is one new ordinary share for every six ordinary shares at 370p a share. The offer is being underwritten by SBC Warburg and UBS.

International trader Inchcape fell 19 to 268p, continuing the derating that set in last week, following a profits downgrade hy UBS. The shares, which stood at 430p earlier this year, have fallen 12 per cent in three days' trading.

Textiles leader Coats Viyella retreated 11 to 177p in 4.3m turnover, as rumours of a big share overhang swept through the market. A line of 20m shares was said to have been on offer.

Diversified industrial Powell Duffryn came off 9 to 554p for a two-day decline of 5 per cent.

Bargain hunters used the opportunity of weakness in the market to buy hotels and leisure group Ladbroke. The shares, the best performers in the Footsie, closed 4½ ahead at 137p after trade of 4.1m.

Trading in hotels and restaurants group Forte was particularly busy, as vague talk of a possible bid from Granada Group surfaced. Several analysts dismissed talk of such a bid but not before the shares had firmed 4 to 275p in hefty volume of 11m.

Forte was the most actively dealt stock in the traded options sector, where the equivalent of 4m shares were traded, with the December 300 calls said to be the most active.

Shares in Granada, which reports preliminary figures today, eased 3 to 697p in general profit-taking.

Pharmaceuticals stocks retreated after Goldman Sachs, the US investment bank, downgraded its recommendation. SmithKline Beecham "A" fell 14¼ to 690¼p, while Zeneca dipped 16 to 1291p following the change from "moderate ontperformer" to "market performer".

Chemicals group ICI followed the market lower, falling 32¼ to 742¼p amid a general retreat by European chemicals stocks.

Food retailers came under pressure on renewed fears that the food price war was likely to intensify over the Christmas period.

There was heavy trading in Asda Group, the shares relinquishing 3¾ to 95½p in volume of 28m. J. Sainsbury surrendered 8 to 374p in trade of 6.6m, while Tesco also fell 8 to 276p, with volume soaring to 13m shares.

Among second liners, Kwik Save weakened 9 to 582p, while Iceland Group finished 4 down at 150p.

MARKET REPORTERS:
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Nov 21	Nov 20	Nov 17	Nov 16	Nov 15	Yr ago	*High	*Low
Ordinary Share	2615.9	2647.8	2638.9	2641.8	2611.0	2369.1	2666.5	2238.3
Ord. div. yield	4.10	4.05	4.06	4.06	4.12	4.39	4.73	4.02
P/E ratio net	15.65	15.85	15.89	15.89	15.66	17.93	21.33	15.35
P/E ratio nil	15.49	15.69	15.72	15.73	15.52	17.65	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	12.00	14.00	15.00	16.00	High	Low
2636.4	2633.9	2627.6	2624.4	2612.5	2612.9	2613.1	2613.6	2615.8	2636.6	2612.3

	Nov 21	Nov 20	Nov 17	Nov 16	Nov 15	Yr ago
SEAQ bargains	30,881	34,277	35,303	32,236	27,482	24,284
Equity turnover (£m)†	-	1671.6	1621.0	1697.1	1738.2	1331.3
Equity bargains†	-	40,853	41,803	38,137	33,796	25,860
Shares traded (mil)†	-	621.0	620.8	714.2	645.8	848.6

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	340	Total Highs	90	Total contracts	32,330
Total Falls	906	Total Lows	43	Calls	16,794
Same	1,630			Puts	15,536

Nov. 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3618.0	3615.0	-14.0	3625.0	3609.0	5820	64344
Mar	3641.0	3638.5	-13.5	3645.0	3637.5	58	8921
Jun		3645.0	-14.0			0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3960.0	-10.0			0	3200
Mar		4005.0	-10.0			0	300

■ FT-SE 100 INDEX OPTION (LIFFE) (*3603) £10 per full index point

	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P
Dec	177½	8	132½	15½	90½	25½	56	43	30½	70	15½	107½	6½	155	1½	205
Jan	193½	23	155	34½	119	48	89	68½	63½	94½	42½	126	28	163	16½	206½
Feb	214½	33½	177½	48	143½	62½	113	82½	87	107½	64½	137	47½	172½	33	211½
Mar	227½	46	191	59	161½	78	132	98½	107	124½	84	152½	64½	184½	48	220½
Jun†			235½	100½			172½	136			122	185			82½	247

Calls 2,039 Puts 4,544

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P
Dec	194½	5½	149½	10½	106	18½	71	31½	41½	51½	22	81½	10	119½	4	163
Jan	217	20½	176½	29½	139	41½	105	57	76	77½	52½	103	34	134½	21	170½
Feb	230	23½	191½	34	156	48	124½	65½	97½	87½	74½	114	56	144½	41	178½
Mar	248	39			174½	63½			111½	98½			86	150½		
Jun†	284	73			219½	104			182	143			173½	180		

Calls 3,706 Puts 3,131 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smllr	92		-	-	-	-
-	F.P.	2.24	33	32	Do Warrants	32		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9		-	-	-	-
306	F.P.	46.5	301	285	BZW Eqs Bermuda	286	-5	-	-	-	-
-	F.P.	61.2	102	101	Benfield & Rea	102		-	-	-	-
-	F.P.	5.76	64	50	†Charterall Intl	64		-	-	-	-
-	F.P.	44.5	139	102	†Crace Intl	124		-	-	-	-
60	F.P.	3.79	71	65	†David Glass	70		RN2.88	2.4	5.1	10.0
145	F.P.	59.8	152	142½	Enterprise Inns	148		WN6.4	-	5.4	10.3
-	F.P.	91.0	95	90	Guinness Flight	91		-	-	-	-
-	F.P.	181.0	195	191	Do Units	191		-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
125	F.P.	28.0	156	128	Heritage Bath	156		-	-	-	-
-	F.P.	25.4	121	97½	Hoare Govett St C	97½		-	-	-	-
-	F.P.	21.1	543	488	†Intl Greetings	503		-	-	-	-
45	F.P.	18.5	65	52	†MultiMedia	64	-1	-	-	-	-
-	F.P.	14.1	101	97	Northern Venture	97		-	-	-	-
100	F.P.	24.8	102	88	Perpetual UK Smlr	89		-	-	-	-
-	F.P.	133.7	98	95	Schroder Asia Pc	95½	-½	-	-	-	-
-	F.P.	8.38	36	32	Do Warrants	33½	-1½	-	-	-	-
-	F.P.	183.0	280	263	Vero Group	269	-8	RN5.1	1.8	2.4	29.6

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 20	% chg on day	Nov 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1870.73	+0.2	1867.20	2019.18	1.90	-	2063.66	1637.81
■ Regional Indices								
Africa (16)	2494.99	+0.4	2484.61	3301.54	4.00	21.69	3301.54	2372.74
Australasia (6)	2321.54	+1.3	2292.83	2647.41	2.14	28.09	2647.41	1788.20
North America (12)	1630.19	-0.1	1632.57	1544.98	0.82	45.80	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 21	Day's chge%	Nov 20	Nov 17	Nov 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3604.1	-0.7	3628.8	3609.2	3610.8	3078.7	3.97	2.09	15.05	132.82	1432.57
FT-SE Mid 250	3941.2	-0.6	3966.8	3964.5	3960.8	3545.3	3.49	1.81	19.77	134.37	1540.24
FT-SE Mid 250 ex Inv Trusts	3962.0	-0.7	3990.5	3989.3	3986.1	3548.0	3.62	1.87	18.46	141.07	1548.73
FT-SE-A 350	1789.6	-0.7	1801.8	1793.8	1794.2	1548.7	3.86	2.04	15.88	64.84	1454.46
FT-SE-A 350 Higher Yield	1789.7	-0.5	1798.0	1788.6	1786.2	1547.4	4.87	1.84	13.96	80.22	1206.29
FT-SE-A 350 Lower Yield	1794.1	-0.9	1810.2	1804.1	1807.0	1506.2	2.82	2.40	18.50	48.21	1218.06
FT-SE SmallCap	1951.35	-0.1	1953.73	1948.91	1943.18	1782.19	3.33	1.69	22.17	56.98	1573.43
FT-SE SmallCap ex Inv Trusts	1935.47	-0.1	1937.88	1933.55	1928.51	1750.50	3.56	1.77	19.85	60.03	1569.05
FT-SE-A ALL-SHARE	1765.73	-0.6	1776.97	1769.50	1769.35	1532.32	3.82	2.02	16.21	63.03	1458.42

■ FT-SE Actuaries All-Share

	Nov 21	Day's chge%	Nov 20	Nov 17	Nov 16	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(28)	3050.97	+0.2	3045.26	3021.23	2987.28	2667.10	3.84	2.02	16.13	118.67	1283.85
12 Extractive Industries(7)	4178.63	+0.1	4174.79	4148.69	4145.48	3829.04	3.55	2.51	14.06	143.77	1198.11
15 Oil, Integrated(3)	3071.35	+0.3	3062.47	3037.37	2984.32	2627.57	4.01	1.96	15.95	123.18	1324.82
16 Oil Exploration & Prod(13)	1897.81	-0.7	1912.17	1896.31	1889.47	1873.66	2.85	1.49	31.59	49.88	1126.54
20 GEN INDUSTRIALS(277)	1939.95	-1.3	1965.65	1969.04	1964.02	1876.85	4.28	1.88	15.48	75.01	1037.72
21 Building & Construction(36)	989.49	-0.5	994.17	990.89	985.01	1033.51	4.05	2.00	15.46	38.19	613.52
22 Building Matls & Merchs(31)	1763.19	-1.9	1797.61	1789.64	1773.37	1855.62	4.22	2.03	14.55	87.08	871.82
23 Chemicals(23)	2321.26	-2.7	2386.61	2400.67	2410.77	2277.84	4.22	1.89	15.63	91.18	1078.86
24 Diversified Industrials(20)	1777.36	-0.4	1785.12	1774.09	1768.40	1777.06	5.58	1.56	14.33	87.44	965.89
25 Electronic & Elect Equip(36)	2139.03	-0.9	2158.32	2148.40	2139.65	1872.55	3.50	1.98	18.01	61.70	1069.60
26 Engineering(68)	2148.24	-0.2	2152.47	2159.44	2154.24	1820.19	3.49	2.26	15.84	70.58	1283.70
27 Engineering, Vehicles(13)	2543.59	-1.0	2570.05	2563.08	2553.27	2324.61	3.69	1.17	28.96	93.56	1295.90
28 Paper, Pckg & Printing(27)	2478.35	-4.9	2607.26	2707.78	2737.69	2664.16	4.04	2.50	12.38	89.95	1012.47
29 Textiles & Apparel(21)	1472.71	-2.3	1507.55	1505.37	1509.34	1573.09	4.69	1.93	14.01	66.66	880.13
30 CONSUMER GOODS(89)	3539.28	-0.8	3569.46	3545.09	3551.83	2756.30	3.80	1.79	18.37	124.75	1280.51
31 Breweries(17)	2734.87	+0.2	2726.91	2728.10	2709.43	2205.84	3.68	1.96	17.38	68.42	1282.07
32 Spirits, Wines & Ciders(9)	2794.82	-1.3	2830.65	2819.18	2832.94	2782.43	4.28	1.63	17.90	107.13	982.80
33 Food Producers(24)	2482.92	-0.7	2500.70	2497.83	2519.14	2278.00	4.04	1.85	16.72	82.00	1087.17
34 Household Goods(11)	2521.30	-0.8	2542.25	2555.95	2570.08	2353.70	3.79	2.13	15.46	90.95	946.66
36 Health Care(17)	1946.00	-0.7	1959.55	1955.72	1947.92	1583.93	2.68	1.81	25.76	48.10	1167.20
37 Pharmaceuticals(10)	4986.34	-1.6	5068.32	5002.60	5005.52	3098.69	3.30	1.70	22.20	162.31	1666.05
38 Tobacco(1)	4786.05	+1.3	4726.75	4668.63	4692.67	3800.26	5.01	1.94	12.84	229.23	1157.89
40 SERVICES(228)	2165.48	-0.7	2180.92	2177.12	2186.94	1822.76	3.10	2.06	19.50	64.98	1108.27
41 Distributors(30)	2573.83	-1.4	2609.87	2624.30	2622.52	2553.89	3.90	1.77	18.07	94.66	934.18
42 Leisure & Hotels(29)	2504.23	+0.1	2502.71	2458.34	2454.16	2074.33	3.20	1.82	20.34	73.67	1282.74
43 Media(43)	3496.77	-0.7	3521.48	3514.51	3494.69	2878.69	2.08	2.37	25.21	79.06	1250.22
44 Retailers, Food(16)	1855.43	-2.2	1898.47	1900.66	1971.72	1752.60	3.80	2.40	13.33	65.37	1158.23
45 Retailers, General(44)	1842.35	-0.2	1845.61	1847.49	1855.46	1629.32	3.21	2.12	18.35	57.78	1087.56
48 Support Services(37)	1858.13	-0.7	1871.34	1868.10	1853.72	1533.83	2.48	2.52	20.01	41.58	1167.37
49 Transport(20)	2188.87	-0.8	2207.56	2220.13	2228.54	2262.82	3.98	1.30	24.10	88.39	896.88
51 Other Services & Business(7)	1161.25	-0.1	1162.36	1165.63	1162.84	1261.34	4.51	1.41	19.62	43.10	1043.86
60 UTILITIES(35)	2482.38	-0.1	2484.88	2483.79	2481.71	2394.03	4.71	2.06	12.91	104.72	1017.84
62 Electricity(13)	2883.82	-0.5	2896.70	2896.58	2874.43	2839.41	4.02	2.81	11.05	143.91	1295.41
64 Gas Distribution(2)	1582.85	+0.2	1579.75	1576.31	1601.53	1973.82	7.57	1.04	15.87	119.82	794.19
66 Telecommunications(7)	2008.05	+0.1	2006.05	2013.50	2026.30	1971.63	4.18	1.75	17.06	51.46	893.14
68 Water(13)	2097.73	-0.1	2099.43	2090.93	2068.46	1839.23	5.54	2.69	8.40	97.82	1121.56
69 NON-FINANCIALS(650)	1862.84	-0.7	1876.86	1870.55	1871.29	1955.10	3.87	1.95	16.59	67.38	1382.66
70 FINANCIALS(113)	2841.65	-0.5	2855.82	2826.34	2821.82	2174.63	3.92	2.44	13.06	104.67	1186.87
71 Banks, Retail(8)	4024.46	-0.2	4032.46	3985.59	3988.82	2870.54	3.61	2.81	12.29	140.81	1269.32
72 Banks, Merchant(6)	3550.23	-0.3	3561.56	3554.35	3580.73	2856.12	2.61	2.43	19.69	96.34	1110.28
73 Insurance(25)	1387.71	-1.6	1409.96	1393.31	1391.32	1230.31	5.60	2.68	8.79	72.93	1016.58
74 Life Assurance(6)	3421.90	-0.8	3449.65	3411.68	3366.18	2359.68	4.66	1.53	19.99	136.72	1394.09
77 Other Financial(22)	2413.44	-0.3	2420.33	2411.32	2401.89	1676.93	3.70	1.93	17.51	65.66	1346.23
79 Property(45)	1391.05	-0.0	1403.14	1393.95	1388.69	1418.34	4.47	1.33	20.99	48.69	835.05
80 INVESTMENT TRUSTS(133)	2856.04	.....	2954.77	2942.86	2934.02	2736.16	2.26	1.05	52.84	57.42	1019.75
89 FT-SE-A ALL-SHARE(896)	1765.73	-0.8	1775.97	1769.50	1769.35	1532.32	3.82	2.02	16.21	63.03	1458.42
FT-SE-A Fledgling	1094.21	-0.1	1095.81	1093.63	1091.25	-	2.83	1.34	33.01	30.27	1127.29
FT-SE-A Fledgling ex Inv Trusts	1096.07	-0.2	1097.80	1095.44	1093.95	-	2.96	1.40	30.05	29.14	1128.19

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3612.3	3613.1	3610.5	3612.2	3602.3	3602.5	3604.2	3605.6	3603.4	3615.7	3602.1
FT-SE Mid 250	3959.9	3958.3	3952.4	3950.4	3944.1	3943.0	3942.7	3942.6	3941.5	3959.9	3941.2
FT-SE-A 350	1794.7	1794.7	1793.3	1793.7	1789.3	1789.2	1789.9	1790.4	1789.4	1795.6	1789.2

Time of FT-SE 100 Day's high: 9.18am Day's low: 11.45am. FT-SE 100 1995 High: 3628.8(20/11) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	977.4	976.1	972.0	975.2	972.8	974.8	974.8	975.7	975.9	975.3	981.2	-5.8
Pharmaceuticals	4960.3	4947.5	4941.9	4941.0	4930.9	4935.9	4935.2	4929.4	4926.6	4931.9	5011.4	-79.5
Water	2091.2	2090.9	2090.6	2091.0	2091.0	2091.6	2091.7	2091.8	2091.8	2093.4	2095.1	-1.7
Banks, Retail	4068.3	4069.1	4072.7	4081.1	4074.6	4074.0	4073.1	4076.1	4075.4	4075.8	4083.9	-8.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Ramus Hldgs. (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	3,400	442½	+5
ASDA Group†	58,000	95½	-3¾
Abbey National†	6,400	601½	+9
Albert Fisher	1,900	50½	
Allied Domecq†	1,100	498	-3
Anglian Water	94	574	
Argos	110	547	
Argyll Group†	5,600	232	-4½
Arjo Wiggins†	3,500	179	-1
Assoc. Brit. Foods†	179	713	-2
Assoc. Brit. Ports	1,600	281	-2
BAA†	1,600	490	-4
BAT Inds.†	8,700	565	+7
BET	2,800	128	-3
BICC	886	281	
BOC†	1,700	880	-21
BP†	4,800	498½	+2
BPB Inds.	3,000	315	-10
BSkyB†	1,600	393	-6
BT†	47,000	361½	+5½
BTR†	25,000	334½	-8½
Bank of Scotland†	492	267	-½
Barclays†	4,300	793	+½
Bass†	854	682	+4
Blue Circle†	2,900	314	-12
Booker	2,100	370	-3
Boots†	1,500	574	
Britannic	21	140	-1
Brit. Aerospace†	5,100	773	+24
British Airways†	2,200	464	+7
British Gas†	18,000	238½	+½
British Land	1,000	381	-14
British Steel†	5,800	156½	-4
Bunzl	1,000	166	-5
Burmah Castrol†	838	983	+1
Burton	3,200	115½	-1
Cable & Wire†	14,000	429	+9
Cadbury Schweppes†	1,100	549	-6
Caradon	1,800	188	-4
Carlton Comms.†	612	987	
Coats Viyella	4,700	177	-11
Comm. Union†	724	626	-4
Compass	327	447	-2
Cookson†	3,900	309	-1
Courtaulds†	8,500	380	-18
Dalgety	104	402	-2
De La Rue†	11,000	718	-182
Dixons	1,300	413	-3
East Midland Elec.	650	903	-4
Electrocomps	278	325	
Eng China Clays	914	330	-8
Enterprise Oil†	2,700	340	-4
Eurotunnel Units	194	97	-2
FKI	1,100	156	-2
Fisons	0	264	
Foreign & Col. I.T.	1,200	151	-¼
Forte†	11,000	275	+4
Gen. Accident†	386	654	-15
General Elect.†	31,000	321	-5
Glaxo Wellcome†	4,000	883	-12½
Glynwed	217	327	-5
Granada†	1,000	697	-3
Grand Met.†	1,500	434	-8
GUS†	833	586	-2
GRE†	2,600	243	-4½
Greenalls	90	522	-2
GKN†	456	819	-5
Guinness†	1,700	467	-6
HSBC (75p shs)†	4,600	944	-10
Hammerson	462	339	-3
Hanson†	36,000	193	
Harrisons Crosfield	225	146	-2½
Hays	6,200	388	-11
Hillsdown	2,800	158	-4½
IMI	372	317	-2
ICI†	6,100	742½	-32½
Inchcape†	4,000	268	-19
Johnson Matthey	405	588	-4
Kingfisher†	1,200	512	-2
Kwik Save	583	582	-9
Ladbroke†	4,300	137	+4½
Land Securities†	466	586	-1
Laporte	502	798	-26
Legal & General†	1,200	662	-2
Lloyds Abbey	375	481	+8
Lloyds Bank†	4,600	849½	+2½
LASMO†	1,100	158	-1
London Elect.†	348	836	-2
Lonrho	3,100	186	-1
Lucas	2,400	195	-3
MEPC	684	393	-5
MFI	4,400	159	-½
Marks & Spencer†	1,500	441	-½
Mercury Asset Man	175	865	-13
Midlands Elect.†	308	977	-7
Morrison (Wm.)	2,700	143	-2
NFC	433	156	
NatWest Bank†	4,400	589½	+4½
National Power†	447	495	-4
Next	659	436½	-2½
North West Water†	192	590	
Northern Elect.	774	947	+12
Northern Foods	3,700	172	+6
Pearson†	2,000	658	+4
P & O†	1,700	482	-4
Pilkington	1,700	190	-4
PowerGen†	216	566	-5
Prudential†	5,300	423½	-5½
REXAM†	3,300	336	+1
RMC†	386	1025	-6
RTZ†	938	921	+4
Racal	96	262	
Rank Org.†	2,100	389	+6
Reckitt & Colman†	566	643	-7
Redland†	2,100	352	-17
Reed Intl.†	6,100	998	+1
Rentokil†	774	318	-1
Reuters†	2,400	612	-12
Rolls Royce†	686	189½	
Ryl Bk Scotland†	1,600	552	-6
Royal Insurance†	1,200	374	-11
Sainsbury†	6,600	374	-8
Schroders†	12	1303	
Scottish & New.†	541	615	+2
Scot. Hydro-Elect.	660	351	-4
Scottish Power†	2,000	372	-4
Sears†	2,300	101	+½
Sedgwick	1,300	116	-1
Seeboard	197	643	+1
Severn Trent†	128	649	-1
Shell Transport†	14,000	793	+1½
Siebe†	673	782	-1
Slough Ests	233	200	-2
Smith (W.H.)	1,000	401	-1
Smith & Nephew†	745	193½	-1½
SmKl Beecham†	5,600	690½	-14¼
SmKl Beecham Uts.†	1,600	678	-16½
Smiths Inds.	446	658	+1
Southern Elect.†	1,000	975	
South Wales Elect.	176	1039	
South West Water	23	498	
Southern Water	10	871	
Standard Chard.†	2,900	552	-5
Storehouse	414	323	+3
Sun Alliance†	373	367	-8
T&N	218	138½	-½
TI Group†	817	431	-2
TSB†	6,300	408	-2
Tarmac	2,300	93	+2
Tate & Lyle†	630	442	
Taylor Woodrow	380	109	-2
TeleWest	555	166	-3
Tesco†	13,000	276	-8
Thames Water†	615	560	
Thorn EMI†	612	1523	-24
Tomkins†	6,200	261	+½
Trafalgar House	3,200	21½	+½
Unigate	185	417	+2
Unilever†	654	1219	-15
United Biscuits	248	281	
Utd. News & Media	114	586	+6
Vodafone†	37,000	239	-15
Welsh Water	139	707	-2
Wessex Water	325	346	-1
Whitbread†	356	656	-1
Williams Hldgs.†	1,400	338	[illegible]
Willis Corroon	391	124	
Wimpey	194	123	
Wolseley†	3,300	440	-9
Yorkshire Elect.	114	918	-2
Yorkshire Water	357	605	
Zeneca†	3,200	1291	-16

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 21 / Sch)

BELGIUM/LUXEMBOURG (Nov 21 / Frs.)

CZECH REP (Nov 21 / Koruna)

DENMARK (Nov 21 / Kr)

FINLAND (Nov 21 / Mka)

FRANCE (Nov 21 / Frs.)

GERMANY (Nov 21 / Dm.)

GREECE (Nov 21 / Drachma)

ITALY (Nov 21 / Lira)

NETHERLANDS (Nov 21 / Fls.)

NORWAY (Nov 21 / Kroner)

POLAND (Nov 21 / Zloty)

PORTUGAL (Nov 21 / Escudo)

SPAIN (Nov 21 / Pts.)

SWEDEN (Nov 21 / Kronor)

SWITZERLAND (Nov 21 / Frs.)

TURKEY (Nov 21 / Tk Lira)

PACIFIC

JAPAN (Nov 21 / Yen)

HONG KONG (Nov 21 / H.K.$)

INDONESIA (Nov 21 / Rupiah)

MALAYSIA (Nov 21 / MYR)

NEW ZEALAND (Nov 21 / NZ $)

SINGAPORE (Nov 21 / S$)

AUSTRALIA (Nov 21 / Aus$)

SOUTH KOREA (Nov 21 / Won)

TAIWAN (Nov 21 / TW $)

THAILAND (Nov 21 / Baht)

AFRICA

SOUTH AFRICA (Nov 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 21 / Can $)

4 pm close

MONTREAL (Nov 21 / Can $)

4 pm close

INDICES

	Nov 21	Nov 20	Nov 17	1995 High	1995 Low
Argentina					
General (29/12/77)	(u)	13934.56	13801.13	18531.10 2/1	9831.80 9/3
Australia					
All Ordinaries(1/1/80)	2138.6	2126.4	2119.7	2168.80 18/9	1823.30 8/2
All Mining(1/1/80)	984.5	980.7	980.6	1029.50 7/8	795.30 8/2
Austria					
Credit Aktien(30/12/84)	339.15	336.74	333.39	395.42 2/1	328.50 27/10
Traded Index(2/1/91)	924.32	914.92	901.45	1066.31 2/1	882.15 23/10
Belgium					
BEL20 (1/1/91)	1467.71	1473.24	1459.44	1491.30 2/8	1271.50 9/3
Brazil					
Bovespa (29/12/83)	(u)	39661.0	40635.0	49612.00 18/9	21362.00 9/3
Canada					
Metals Minerals(1975)	(u)	4970.07	4937.97	5252.77 21/8	3808.63 1/3
Composite (1975)	(u)	4600.75	4589.60	4718.30 12/7	3981.41 30/1
Portfolio$$ (4/1/83)	(u)	2243.57	2235.49	2307.81 12/7	1958.36 30/1
Chile					
IPSA Gen(31/12/80)	(u)	5600.5	5594.5	6363.10 11/7	4576.90 9/3
Denmark					
CopenhagenSE(3/1/83)	(u)	356.73	355.83	376.44 25/8	330.01 29/3
Finland					
HEX General(28/12/90)	1844.43	1858.38	1829.19	2332.22 14/9	1595.30 29/3
France					
SBF 250 (31/12/90)	1237.31	1243.18	1248.51	1322.30 12/5	1154.41 13/3
CAC 40(31/12/87)	1872.99	1881.40	1890.52	2017.27 12/5	1721.14 23/10
Germany					
FAZ Aktien(31/12/58)	788.02	794.35	789.89	840.76 19/9	708.87 30/3
Commerzbank(1/12/53)	2287.8	2305.6	2292.9	2427.80 19/9	2018.70 30/3
DAX (30/12/87)	2205.06	2218.30	2201.28	2317.01 15/9	1910.96 28/3
Greece					
Athens SE(31/12/80)	852.44	876.17	894.41	982.59 4/8	787.15 16/3
Hong Kong					
Hang Seng(31/7/64)	9452.00	9373.91	9287.90	10032.93 17/10	6967.93 23/1
India					
BSE Sens.(1979)	3062.59	3111.23	3103.03	3932.09 2/1	3015.67 2/5
Indonesia					
Jakarta Comp.(10/8/82)	454.05	453.13	456.34	519.18 11/8	414.21 18/4
Ireland					
ISEQ Overall(4/1/88)	2242.06	2238.53	2225.64	2242.06 21/11	1833.89 23/1
Italy					
Banca Comm Ital (1972)	568.95	577.52	573.13	680.54 10/2	556.09 23/10
MIB General (2/1/95)	899.0	912.0	905.0	1076.00 10/2	877.00 23/10
Japan					
Nikkei 225 (16/5/49)	18384.32	18363.82	18151.16	19684.04 4/1	14485.41 3/7
Nikkei 300 (1/10/82)	272.77	273.26	269.82	298.38 4/1	222.26 13/6
Topix (4/1/68)	1454.44	1456.39	1439.28	1552.40 4/1	1193.16 13/6
2nd Section (4/1/68)	1881.37	1882.43	1876.07	2130.88 4/1	1441.60 13/6
Malaysia					
KLSE Comp.(4/4/86)	917.21	893.80	888.91	1086.04 5/6	840.87 24/1
Mexico					
IPC (Nov 1978)	(u)	(u)	2349.46	2622.21 8/9	1447.52 27/2
Netherland					
CBS TtlRtnGen(End 83)	503.4	504.8	501.0	511.80 19/9	422.80 23/3
CBS All Shr (End 83)	304.8	305.8	303.4	311.30 15/9	265.20 23/3
New Zealand					
Cap. 40 (1/7/86)	2144.41	2147.60	2155.57	2208.02 20/10	1901.43 5/1
Norway					
Oslo SE(Ind)(2/1/83)	1223.73	1218.44	1206.55	1292.18 18/10	1036.00 10/3
Philippines					
Manila Comp (2/1/85)	2252.24	2186.48	2284.08	2898.32 10/7	2186.48 20/11
Portugal					
BTA (1977)	2427.7	2458.3	2471.8	2911.80 9/1	2427.70 21/11
Singapore					
SES All-S'pore(2/4/75)	512.06	510.30	508.84	585.08 5/1	472.80 23/1
South Africa					
JSE Gold (28/9/78)	1359.3¥	1357.7	1350.2	2023.00 2/1	1250.20 30/10
JSE Ind. (28/9/78)	7681.5¥	7715.5	7675.4	7715.50 20/11	6222.00 31/1
South Korea					
KoreaCompEx(4/1/80)"	917.56	931.64	952.36	1027.37 2/1	847.09 27/5
Spain					
Madrid SE (30/12/85)	303.38	302.65	300.12	318.96 13/9	284.06 23/3
Sweden					
AffarsvardsGen (1/2/37)	1728.3	1728.9	1703.8	1872.18 19/9	1439.80 29/3
Switzerland					
Swiss Bk Ind (31/12/58)	1460.58	1455.72	1442.85	1460.58 21/11	1174.88 13/3
SBC General (1/4/87)	1090.84	1080.74	1082.51	1090.84 21/11	870.68 13/3
Taiwan					
WeightedPr.(30/6/66)"	4621.87	4565.72	4566.06	7051.49 5/1	4503.37 14/8
Thailand					
Bangkok SET (30/4/75)	1206.13	1193.43	1136.10	1472.06 10/7	1135.89 16/3
Turkey					
Istanbul Cmp.(Jan 1986)	43278.0	42472.2	42833.1	54659.98 21/4	24844.31 23/1
WORLD					
MS Capital Int (1/1/70)$	708.1*	708.1	705.3	708.80 20/11	586.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1449.08	1446.56	1432.65	1480.89 15/9	1222.41 13/3
Euro Top-100 (26/6/90)	1300.35	1303.59	1294.31	1316.86 15/9	1117.34 9/3
JCapelDrgns (31/12/88)	(u)	313.71	312.17	349.47 14/7	282.67 23/1
Barings Emerg.(7/1/92)	135.92	135.86	134.80	158.07 2/1	117.35 10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Nov	1879.5	1880.0	-5.0	1887.0	1876.0	9,739	28,229
Dec	1887.0	1889.0	-5.0	1896.5	1887.0	568	21,870
DAX							
Dec	2208.0	2207.0	+0.5	2215.0	2203.0	11,878	–
Mar	2230.0	2228.0	+0.5	2232.0	2225.0	799	–
OMX							
Nov	1368.00	1370.00	-2.00	1375.00	1363.00	3,763	12,508
Dec	1375.75	1380.50	-2.00	1384.00	1373.25	2,361	3,634
SOFFEX							
Dec	3182.0	3187.0	+0.8	3192.0	3179.0	3,768	13,199
Jan	3198.0	3193.6	+7.0	3196.0	3196.0	71	715

" Sat Nov 18: Taiwan Weighted Price 4583.49; Korea Comp Ex 948.35. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp/Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 21 - 2201.80 -8.11. ¥ Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

US INDICES

Dow Jones	Nov 20	Nov 17	Nov 16	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4983.08	4989.95	4969.36	4989.95 (17/11)	3832.08 (30/1)	4989.95 (17/11/95)	41.22 (2/7/32)
Home Bonds	104.45	104.26	104.28	104.45 (20/11)	93.63 (3/1)	105.77 (15/10/93)	54.99 (1/10/81)
Transport	2005.63	2005.63	1988.20	2019.45 (6/11)	1473.19 (3/1)	2019.45 (6/11/95)	12.32 (8/7/32)
Utilities	215.00	216.39	215.27	218.09 (25/10)	183.83 (3/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5030.77 (5022.10) Low 4946.80 (4934.31) (Theoretical) · Day's high 5003.88 (4996.45) Low 4976.58 (4968.24) (Actual)

Standard and Poors	Nov 20	Nov 17	Nov 16	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	596.85	600.07	597.34	600.07 (17/11)	459.11 (3/1)	600.07 (17/11/95)	4.40 (1/6/32)
Industrials¶	702.29	705.97	703.25	705.97 (17/11)	546.28 (3/1)	705.97 (17/11/95)	3.62 (21/6/32)
Financial	59.85	60.21	59.74	61.30 (16/10)	41.54 (3/1)	61.30 (16/10/95)	8.64 (1/10/74)
NYSE Comp.	318.92	320.12	318.48	320.12 (17/11)	250.70 (3/1)	320.12 (17/11/95)	4.46 (25/4/42)
Amex Mkt Val	531.59	531.98	528.48	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1029.47	1045.03	1044.48	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Nov 17	Nov 10	Nov 3	Year ago
Dow Jones Ind. Div. Yield	2.35	2.39	2.41	2.79
	Nov 15	Nov 8	Nov 1	Year ago
S & P Ind. Div. yield	2.03	2.04	2.07	2.38
S & P Ind. P/E ratio	18.37	18.23	17.99	19.03

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	11,402,800	49⅞	-5
K-Mart	6,035,000	7⅞	-⅛
British Steel	5,582,800	25	-⅜
Cdn Nat Rlwy	4,104,400	14⅞	-⅜
Hewlett-Pckrd	3,791,800	85⅞	-4⅝
Wal-Mart	3,626,500	24¼	+⅛
Texas Insts	3,339,200	56¼	-3½
Motorola	3,123,200	62⅝	-1¼
Newbridge Nt	3,062,500	40⅝	+3⅜
IBM	2,800,500	93	-2⅛

TRADING ACTIVITY

● Volume (millions)

	Nov 20	Nov 17	Nov 10
New York SE	333.119	429.383	418.433
Amex	13.867	15.876	16.398
NASDAQ	451.356	490.526	505.439
NYSE			
Issues Traded	3,070	3,083	3,074
Rises	1,013	1,387	1,516
Falls	1,265	906	799
Unchanged	792	810	765
New Highs	135	140	179
New Lows	38	28	33

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	598.30	599.00	-2.15	599.30	598.00	89,700	199,476
Mar	603.80	604.35	-2.05	604.50	603.30	2,139	17,711
	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Dec	18350.0	18350.0	-50	18500.0	18300.0	21,492	155,026
Mar	18400.0	18420.0	-10	18540.0	18350.0	6,250	18,281

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Tuesday, November 21, 1995

	Stocks Traded	Closing Prices	Change on day
NKK Corp	28.1m	285	+10
Nippon Steel Corp	24.9m	362	+9
Mitsubishi Hvy	19.7m	820	+12
Sumitomo Mtl Ind	12.0m	313	+12
Nissho Iwai	11.3m	505	[illegible]
Kobe Steel	9.5m	292	+2
Kawasaki Steel	8.3m	373	+10
Takaoka Elec Mfg	6.1m	880	-38
Mitsui Eng & Bldg	5.9m	270	+7

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. ‡ Priced in US $.

4 pm close November 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
18	12⅛	AAR	0.48	2.6	23	580	18⅞	18¾	18¾	
45¼	35	AMP	0.92	2.3	20	7781	40⅞	39¾	40¼	+1
80⅛	53⅞	AMR			16	7134	76⅜	68⅝	69¾	-⅛
47⅞	36⅞	ASA x	1.71	4.4	23	313	38⅛	38½	38½	-⅛
44¾	30¾	AbbtL	0.84	2.0	28	8786	41¾	40¾	41¼	+½
18⅞	12	Abitibi Pr	0.40	2.5	0	6132	16⅛	15⅞	16¼	+⅛
21⅞	21	ABM Ind	0.60	2.2	15	43	27⅜	27⅛	27⅜	+¼
17⅛	13⅛	Acptncetn			10	45	14⅞	14⅞	14⅞	
37¼	21⅞	ACE Ltd	0.56	1.6	8	1972	36¼	35⅞	36⅛	+⅛
9⅞	9⅜	ACM Gvt In x	0.90	9.4	8	710	9¾	9½	9⅝	-⅛
7¾	6½	ACM GvOpp x	0.66	8.6		50	7⅛	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp x	0.75	10.7		115	7	6⅞	7	
8¾	7¼	ACM Gvt Se x	0.96	10.4		594	8¾	8¾	8⅝	-⅛
8⅛	7⅝	ACM Man x	0.96	10.1		140	8⅞	8¾	8⅞	+⅛
29¼	10¼	AcmeClv	0.48	2.1	20	81	22⅛	22⅛	22⅜	+¼
38¾	7⅜	Acme Elect			63	150	7⅞	7⅝	7⅝	-¼
34½	23¾	Acordia	0.72	2.6	15	30	27¾	27⅝	27⅝	-⅛
10¾	10⅛	Acuson			33	595	11⅛	10¾	10¾	-¼
19⅝	15⅝	Adams Expr x	0.48	2.6	0	181	18⅛	18¼	18¼	-⅛
38⅞	27⅞	AdvMic			6	34748	21¼	20⅛	20½	-¾
9¾	5	Advest Grp	0.10	1.0	12	273	9⅛	9	9	
27½	10½	Advo Inc	0.10	0.4	26	853	26⅞	26½	26⅝	-⅛
41¾	24.80	Aegon	1.28	3.1	15	285	u42	41⅝	42	+⅝
6⅞	3⅛	Aerfix			8	250	4⅜	4¼	4⅛	
78¼	46¾	AetnaL	2.76	3.7	35	4480	74⅛	71¾	73⅞	+1⅛
44¾	31⅞	Aflac x	0.52	1.3	12	1854	41¾	40⅝	41	-¾
28⅛	18	Ahmnsn x	0.88	3.4	10	1913	26⅜	25⅞	26¼	+¼

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close November 21

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
57¼	39⅝	SBC Cm	1.65	3.1	18	4453	54⅛	53⅞	54	+⅛
26⅞	20½	Scana Corp	1.44	5.6	10	1016	26	25⅝	25¾	
18	14½	Scecrp	1.00	6.6	10	8490	17	16⅝	17	+⅜
11¼	6⅛	SchawkA	0.26	3.9	17	19	6⅞	6¾	6¾	-⅛
50¼	27¼	SchersRP			22	1025	42¾	42⅛	42¾	+⅛
56½	35½	SchrPl	1.16	2.1	20	6898	55⅞	55	55	-½
69⅝	50⅛	Schimb	1.50	2.2	25	4169	68⅞	68	68⅞	+¾
29	11¼	Schwab(C)	0.16	0.7	24	2231	23⅛	22⅞	22⅞	-½
24⅞	11⅛	SciAtl	0.06	0.4	22	2041	16⅛	15⅞	16	+¼
20	15⅛	Scotsman	0.10	0.6	10	347	16½	16½	16½	
56¾	33½	ScottP x	0.40	0.7	10	11311	56⅝	55½	56	-⅛
36⅞	26⅞	Scripps x	0.52	1.4	26	1639	36½	36	36½	+⅛
21½	13⅞	ScuddrNAsF	0.02	0.1		110	13⅞	13⅝	13¾	
11⅝	8⅝	ScuddrNEuF x	0.10	1.5		401	10⅞	10⅝	10¾	+⅛
20	13⅛	SeaCntB	0.70	3.8	2	68	18⅞	18¾	18¾	-¼
16¼	14⅞	SeaC1.4625	1.46	9.8		18	15⅛	15	15	-¼
54	23⅝	Sgate			10	12018	51½	49½	49⅝	-2⅛
38½	25⅛	Seagrm	0.60	1.6	28	3603	u38¾	36¾	38¼	+1⅝
22½	15¼	Seagull En			63	772	19¼	19	19⅛	+¼
30⅝	18	Sealed Air			38	3093	30⅛	29⅞	30	
39⅞	30⅛	SearsR	0.92	2.3	10	9410	u39⅞	39	39½	-⅛
19¾	16⅝	SecCapSBI	1.15	6.1	22	579	18⅞	18½	18⅞	+⅛
13⅛	10⅛	Seligm Sel c	0.84	6.9		72	12¼	12⅛	12¼	+⅛

AMEX COMPOSITE PRICES

4 pm close November 21

NASDAQ NATIONAL MARKET

4 pm close November 21

AMERICA

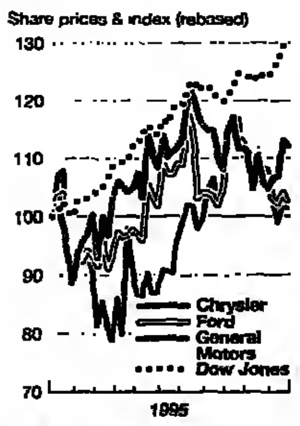
Dow climbs decisively through 5,000

Wall Street

After trading in a narrow range for most of the morning, the Dow Jones Industrial Average moved decisively through the 5,000-point barrier just after 1 pm yesterday, renewing investors' hopes that it could make its first-ever close above that level, *writes Lisa Bransten in New York.*

On Monday, the Dow twice edged through 5,000, but ended the session down nearly 7 points at 4,983.09 as weakness in technology issues spilled over into the broader market.

US motors



Source: FT Extel

Yesterday morning the markets threatened a repeat performance as the Dow posted modest gains while the technology-rich Nasdaq composite slid.

Close to 1.20 pm the Dow was 26.37 stronger at 5,009.46. The Standard & Poor's 500, which breached its own psychological barrier of 600 on Friday but fell on Monday, was ahead 2.30 at 599.15. The American Stock Exchange composite, however, slipped 2.16 to 529.43. New York SE volume was heavy at 231m shares.

In early trading, the Nasdaq slipped as much as 13 points, but by early afternoon the lower prices brought renewed interest and, near 1 pm, the index was off just 2.11 at 1,027.36. The Pacific Stock Exchange technology index was off as much as 1.8 per cent before recovering to a 0.2 per cent loss.

Dell Computers fell more than $2 in early trading although the computer maker reported late on Monday that earnings grew 82 per cent in the third quarter. By early afternoon the shares had bounced back from their session lows and were unchanged at $41⅞.

The US automobile makers were relatively steady although Merrill Lynch cut its earnings estimates on the three companies. General Motors, the largest of the three, was steady at $47⅝. Chrysler was off $⅞ at $49⅝ and Ford was $⅝ lower at $28¼.

Rising issues on the Dow included Caterpillar, which gained ground on expectations that the United Auto Workers were close to settling their strike with the company, Aluminum Company of America and IBM. In early trading, Caterpillar gained $3⅛ or 5.6 per cent at $58⅞, Alcoa was $1⅞ stronger at $54¼ and IBM added $1⅛ at $94⅛.

Canada

Toronto edged ahead in midday trade, with news that the Separatist leader Mr Lucien Bouchard would seek the job of Quebec premier and head of the ruling Parti Quebecois already discounted by the market.

The TSE-300 Composite index was up 6.27 by noon at 4,607.02 in volume of 28.8m shares.

Mexico City up 2.2%

Mexico City picked up after a sluggish start as the peso pared early losses, prompting bargain hunting among equities. The IPC index was 50.49 or 2.2 per cent higher at 2,399.95 in midday trade as hopes grew that stability in the peso might bring lower interest rates on *Cetes*, or T-bills, after eight consecutive weeks of rises.

Among the morning's big winners, Sidek, the steel to tourism group, saw its L shares up 11.6 per cent.

SAO PAULO was still weak in mid-afternoon trade, but up from earlier lows, on continuing worries over a scandal concerning a $1.4bn contract for the Sivam Amazonian radar surveillance system.

The Bovespa index lost 106 at 39,554 as the market worried that any parliamentary inquiry committee set up to look into the scandal could slow the constitutional reform debate in congress.

BUENOS AIRES maintained its rally into a fifth day, the Merval index adding 4.47 at 434.53 by noon.

Petrochemical issues were sharply higher after the government's successful sale of its stock in two leading petrochemical plants on Monday.

S Africa retreats from highs

South African industrial shares dropped in listless trade to close off intra-day highs, dragged down by profit-taking after Monday's record close.

Dealers said small overnight losses on Wall Street also dampened industrials, while golds improved marginally, supported by a slightly firmer bullion price.

The overall index lost 7.3 at 6,045.4, industrials receded 34.0 to 7,681.5 and golds edged up 1.6 to 1,359.3.

Sappi, the paper group, was among the big losers, down R7 at R55, while the steel maker Iscor shed 16 cents to R3.12 and Sasol, the petrochemicals group, 75 cents to R29.

Financials were more mixed, with Absa, the country's biggest bank, easing 65 cents to R19.25 in spite of reporting robust half-year results on Monday. SBIC added R1 at R155, Nedcor rose 50 cents to a 1995 high of R59.50 and Liberty Life surged R3.75 to R110.

A tick-up in bullion prices towards $387 per ounce helped gold shares, Vaal Reefs advancing R2 to R238 and Western Areas gaining R1 at R59.50.

EUROPE

Product price fears weigh upon chemicals sector

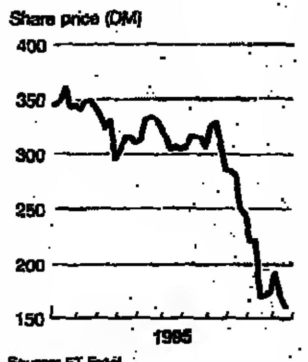
Chemicals stocks fell across Europe after the broker Goldman Sachs lowered its recommendations on five European majors: Hoechst fell DM3.90 to DM363.60, EVC and DSM Fl 1 to Fl 43 and Fl 4.50 to Fl 121.30 and Solvay BFr475 to BFr15,275, while Clariant held firm at SFr370.

Deutsche Morgan Grenfell, in a parallel analysis, said that customer inventory destocking was adding to pressure on bulk plastic prices and margins, that year on year prices had collapsed by 30 to 45 per cent and that, with the general expectation of further decline in December, they were seen testing levels reached in the 1993-94 trough.

FRANKFURT had one or two winners in cyclicals, Daimler offsetting Hoechst with a DM6.55 rise to DM703.80 after the group finalised its Dolores plan to cut 8,800 jobs at its Dasa aerospace subsidiary. The Dax index closed just 2.11 points lower at an Ibis-indicated 2,201.90.

Turnover eased from DM6.6bn to DM5.8bn. There was more trouble in second liners: a 22 per cent drop in nine-month profits at the hair care manufacturer Wella outweighed the accompanying forecast of a DM60m to DM80m profits gain next year and the preference stocks dropped a further DM8 to DM720; and a loss forecast from the printing equipment maker Linotype Hell left it DM4.50 down at a 1995 low of DM156.

Linotype-Hell



Source: FT Extel

PARIS saw more profits taken, the CAC-40 index closing 8.47 off at 1,872.93 in turnover of FFr3.2bn. AGF exemplified the day's theme, falling FFr3.60 to FFr162, although the insurer, which has been talking recently about paring down its industrial interests, refused to comment on talk that it might sell its 3.1 per cent stake in Pinault-Printemps-Redoute.

PPR reversed an earlier loss and closed FFr1 higher at FFr965 after its private holding company denied rumours that Mr Francois Pinault was ill. Back among the weakening financials, GAN dropped an outsize FFr8.50 to FFr157.50 after last week's gains on Bank of France rate cuts.

ZURICH remained at a high for the year but could find no incentive for another assault on its all-time peak, and the SMI index edged 1.7 higher to 3,183.9.

Nestlé, which holds its autumn press conference today, was actively traded, picking up SFr2 to SFr1,229. The shares were supported by speculation that Mr Helmut Maucher, the chief executive, might be about to step down from operational management and make way for a successor who would press harder to improve shareholder value.

Swiss Re firmed SFr4 to SFr1,265 as expectations grew for positive news from the annual shareholders meeting later in the week.

CS Holding was under pressure, losing SFr2 to SFr112.75, on various rumours, including expectations that it might be about to announce an acquisition or that bad news was on the way over this year's earnings. UBS fell SFr8 to SFr1,230 and SBC eased SFr4 to SFr477.

Adia jumped SFr15 to SFr181 after the personnal services group announced a dividend for 1995, the first payout for six years.

MILAN was depressed by higher than expected inflation figures which eclipsed good news of the Senate's approval of the 1996 budget, and the Comit index fell 8.57 to 568.95.

Gemina bucked the trend, leaping L30 to L667 on the view that, after Monday's news conference, there were no more hidden losses to come out.

Ambroveneto gave up L80 to L3,974 amid speculation that it might be displaced in the Mib-30 index by ENI, the oil giant, whose shares commence trading in Milan, London and New York next week.

AMSTERDAM's weakness in cyclicals extended to the paper industry as well as chemicals, and it had problems elsewhere as the AEX index retreated 2.21 to 461.30. In papers, KNP BT dropped Fl 1.60 to Fl 40, hurt by a profits warning from De La Rue, of the UK; meanwhile, CSM, the food and biochemicals group, dropped DM2.60 to DM65.30 although its results, produced on Monday, were within the analysts' expected range.

STOCKHOLM had a flat day in aggregate, the Affärsvärlden General index easing just 0.06 to 1,728.3. However, there were contrasts in the forestry sector, up 1.1 per cent overall: Stora rose SKr3 to SKr81, but Assi-Doman declined SKr2.50 to SKr149.50 after it said that markets for key products were weakening, and that recent pulp price rises would not hold.

HELSINKI's forestries went the other way, down 2.4 per cent, with Metsa-Serla off FM7 at FM143 on the price it was prepared to pay for parts of its rival, Myllykoski. The Hex index fell 10.07 to 1,844.43.

LISBON reflected continuing gloom in the pulp sector with new 1995 lows for the market and the cellulose company Portucel Industrial. The BTA index closed 30.6 down at 21,427.7. PI was Esc54 lower at Esc846, down some 18 per cent since November 10 as it followed a recent downward trend in pulp shares in Europe.

VIENNA extended Monday's recovery on better than expected results from the oil and chemicals group OMV. The ATX index rose 9.4 to 924.32, with OMV up Sch23 at Sch878 after a steep profits rise, and Radex Heraklith, the top performer, Sch14 ahead at Sch289.

ATHENS fell heavily again on panic selling following the hospitalisation of Mr Andreas Papandreou, the Greek prime minister. The general index shed 23.73 to 852.44 for a two-day drop of 4.7 per cent.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1439.30	1439.55	1438.39	1439.34	1440.09	1440.10	1439.43	1440.08
FT-SE Eurotrack 200	1546.60	1547.55	1547.48	1546.32	1545.44	1546.38	1547.25	1547.28

	Nov 20	Nov 17	Nov 16	Nov 15	Nov 14
FT-SE Eurotrack 100	1446.56	1432.66	1432.37	1412.62	1414.40
FT-SE Eurotrack 200	1552.88	1541.25	1542.61	1522.69	1524.10

Base 1000 (26/10/90); High/day: 100 - 1440.77; 200 - 1548.66 Low/day: 100 - 1438.66 200 - 1545.27 † Partial

ASIA PACIFIC

Nikkei flat as nickel find lifts Sydney mining issues

Tokyo

Shares were little changed after a day of profit-taking in high-technology issues and renewed foreign demand for large-capital steels and shipbuilders, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index was up just 0.50 at 18,384.32 after a day's low of 18,250.90 and a high of 18,459.84. Investors were cautious following the previous three-day rise when the index gained more than 700 points. But while high-technology stocks were sold, a rise in the futures market prompted technical buying, while overseas investors purchased large-capital stocks.

Volume totalled 500m shares, against Monday's 421m. The Topix index of all first section stocks lost 1.94 at 1,454.44 and the Nikkei 300 softened 0.49 to 272.77. Advances outscored declines by 560 to 501, with 156 issues remaining unchanged.

In London the ISE/Nikkei 50 index eased 0.14 to 1,238.72.

Overseas investors took profits on high-technology and semiconductor related shares following Monday's fall on Wall Street, while steels, shipbuilders and trading companies found demand. Nine out of the 10 most actively traded issues on the first section were from the three sectors, which were regarded as relatively undervalued.

NKK, the most active issue of the day, rose Y10 to Y285, while Nippon Steel followed, climbing Y9 to Y362.

Mitsubishi Heavy Industries, the shipbuilder, rose Y12 to Y820. Investors were encouraged by the company's earnings prospects for the current year to March, where its recurring profits were expected to increase by 16 per cent to a record Y165bn. Mitsui Shipbuilding put on Y7 at Y270.

Trading companies were bought on their involvement in the cable television network field and their growing presence in multimedia joint ventures. Nissho Iwai, which has a stake in Nifty, a personal computer communications company, gained Y5 at Y505, while Itochu moved up Y14 to Y673 and Mitsui Y1 to Y849.

Semiconductor stocks were weak, with NEC down Y30 to Y1,250 and Fujitsu losing Y20 to Y1,140. Speculators took profits in Takaoka Electric, which has rallied over the past eight days.

Bank stocks were lower on reports that Daiwa Bank would scale back its overseas assets. Sanwa Bank dropped Y90 to Y1,900 and Fuji Bank fell Y30 to Y2,040.

In Osaka, the OSE average ended 29.36 ahead at 19,654.77 in volume of 145.9m shares.

Roundup

Lifted by its majors, and enlivened further by the rich Silver Swan nickel find in Western Australia, SYDNEY's All Ordinaries index advanced 12.40 to 2,138.8.

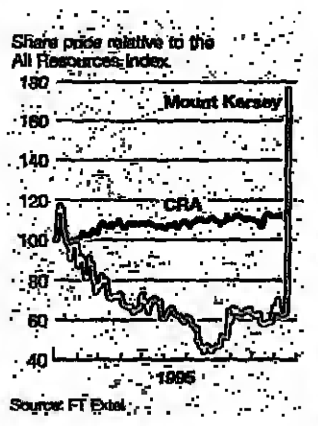
BHP rebounded 22 cents to A$18.20; CRA reached an eight-week high, adding 36 cents at A$21.60 in anticipation of a settlement of its industrial dispute; and News Corporation put on another 26 cents at A$6.90 on new pay television deals and on short-covering.

However, the biggest gains were at the speculative end, Mt Kersey Mining, Yardarino and Gindalbie Gold soaring by 112 per cent (74 cents to A$1.40), 82 per cent and 27 per cent respectively on their proximity to the new nickel find.

KUALA LUMPUR moved ahead 2.6 per cent in a technical rebound, helped by revived interest from US funds, and the composite index punched confidently through the 900 level to finish 23.14 stronger at 917.21.

Among the banks, DCB Holdings appreciated 45 cents to M$6.95, while Malayan Banking ended 50 cents up at M$19.10. Property developer Land & General jumped 14 cents to M$4.80.

MANILA also majored on blue chips as it rebounded from weeks of decline with a recovery of 2.5 per cent. The composite index rose 55.76 to 2,252.24, with volume falling from 2.81bn to 1.205bn shares but, reflecting the importance of blue chips, turnover increasing from 1.245bn pesos to 1.62bn pesos.



Source: FT Extel

However, brokers still worried that the strong rally could be met by profit-taking, as rising interest rates and a sliding peso cast further gloom over the market.

BANGKOK climbed out of negative territory to close with the SET index 12.70 higher at 1,206.13, following rumours in the market that there might be a cabinet reshuffle.

Equities had been falling steadily since Prime Minister Banharn Silpa-archa's elected government took power in July.

Investors had called for Banharn to reshuffle some of his cabinet ministers, and senior officials from the six parties in Banharn's coalition government were due to meet today to discuss the situation, said government sources.

TAIPEI finished sharply higher thanks to the entry of a new T$3bn closed-end fund, but brokers did not expect further surges. The weighted index rose 55.95 or 1.2 per cent to 4,621.67, with electronics stocks up 2.1 per cent.

SINGAPORE firmed as foreign and local institutions went bargain hunting for index linked blue chips and banking stocks. The Straits Times Industrial index ended 15.76 ahead at 2,102.64.

HONG KONG gained ground on a round of late buying but trading remained thin in the absence of foreign participation. The Hang Seng index closed 86.01 up at the day's best of 9,373.91. Turnover dwindled to HK$2.8bn.

New World Development moved forward HK$1.10 or 3.8 per cent to HK$30.20 as investment funds picked up blue-chip property counters after the market's recent weakness.

JAKARTA saw a halt to four straight days of declines and the composite index finished 0.92 better at 454.05.

Among advancing issues, Bank International Indonesia jumped almost 11 per cent to Rp6,625, with some half-million shares changing hands, on the view that the stock had been oversold in recent days.

Indosat recouped Rp300 at Rp7,100 on the view that the stock was oversold when it was removed from the Morgan Stanley Capital International index.

SEOUL was sharply lower in thin trading for the third straight trading day as investors actively sold on increasing concerns that the market's weakness might be prolonged in the wake of the slush fund scandal.

The composite stock index ended the session 13.66 or 1.5 per cent down at 917.98.

FT/S&P ACTUARIES WORLD INDICES

The FT-S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 20 1995								FRIDAY NOVEMBER 17 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (83)	183.46	0.5	175.90	117.51	134.72	163.93	0.2	4.00	182.48	174.31	117.94	133.27	163.59	191.01	157.95	166.56
Austria (27)	170.47	0.8	163.44	109.19	125.18	125.12	1.4	1.34	169.12	161.56	109.31	123.52	123.45	199.28	167.48	177.33
Belgium (35)	200.88	0.4	192.60	128.66	147.51	143.81	0.8	3.64	200.13	191.17	129.35	146.16	142.63	201.12	164.79	188.43
Brazil (28)	129.15	-2.5	123.83	82.72	94.84	228.76	-2.4	1.84	132.44	126.51	85.60	96.73	234.40	180.75	66.06	179.16
Canada (100)	145.77	0.4	139.76	93.37	107.04	142.58	0.2	2.58	145.24	138.74	93.88	106.08	142.31	150.83	121.81	129.36
Denmark (33)	281.68	-0.1	270.07	180.42	206.85	209.69	0.4	1.55	281.96	269.34	182.24	205.93	208.85	295.38	236.61	250.04
Finland (25)	217.25	2.1	208.30	139.15	159.53	191.98	2.5	1.67	212.87	203.34	137.58	155.46	187.25	276.11	171.13	191.48
France (100)	181.54	-0.7	174.06	116.28	133.31	138.62	-0.4	3.16	182.90	174.71	118.21	133.58	139.19	191.17	157.79	167.26
Germany (59)	161.26	0.1	154.82	103.29	118.42	118.42	0.7	2.02	161.01	153.80	104.07	117.59	117.59	167.74	135.39	142.58
Hong Kong (55)	357.56	0.8	342.82	229.02	262.58	355.01	0.8	4.12	354.67	338.79	229.24	259.03	352.14	389.39	277.40	380.55
Ireland (16)	258.59	0.5	247.93	165.63	189.89	227.91	0.8	3.35	257.01	245.50	166.12	187.71	226.12	258.59	195.34	202.79
Italy (58)	70.23	-0.3	67.33	44.98	51.57	83.67	0.0	1.80	70.43	67.28	45.52	51.44	83.71	82.71	65.45	77.89
Japan (483)	145.51	2.2	139.51	93.20	106.85	93.20	1.3	0.62	142.38	135.99	92.01	103.98	92.01	164.82	136.85	155.15
Malaysia (108)	428.31	0.2	410.67	274.35	314.54	418.66	0.5	1.97	427.35	408.23	276.22	312.12	416.52	561.96	396.18	519.97
Mexico (18)	878.35	1.0	842.14	562.60	645.00	7348.58	0.0	1.89	869.82	830.67	562.16	635.26	7348.58	2125.20	647.81	1981.70
Netherland (19)	260.67	0.3	250.12	167.09	191.57	188.29	0.8	3.47	260.08	248.44	168.10	189.95	186.73	263.99	207.60	212.38
New Zealand (14)	78.45	-0.1	75.22	50.25	57.81	64.04	-0.5	4.53	78.52	75.00	50.75	57.34	64.33	85.49	69.56	78.27
Norway (33)	226.56	0.4	217.23	145.12	166.38	191.48	1.0	2.12	225.58	215.48	145.80	164.75	189.60	243.79	192.92	196.58
Singapore (44)	369.24	1.0	354.02	236.51	271.15	240.43	1.1	1.69	365.65	349.29	236.34	267.06	237.84	414.26	313.84	393.18
South Africa (45)	376.66	0.5	361.14	241.26	276.60	300.84	0.7	3.92	374.69	357.91	242.17	273.65	296.70	376.66	281.06	337.49
Spain (38)	153.58	0.6	147.26	98.38	112.79	141.36	1.1	4.03	152.70	145.86	98.70	111.52	139.68	160.51	124.10	141.58
Sweden (47)	316.23	1.5	303.20	202.56	232.22	307.49	1.5	1.95	311.68	297.73	201.45	227.64	302.93	320.43	225.80	241.86
Switzerland (41)	228.12	0.7	218.72	146.12	167.52	161.25	0.9	1.65	226.64	216.49	146.48	165.52	159.80	228.12	158.38	162.67
Thailand (46)	147.63	-0.7	141.55	94.56	108.41	144.00	-0.7	2.83	148.64	141.98	96.07	108.56	145.03	184.55	130.15	171.62
United Kingdom (206)	226.10	0.1	216.78	144.83	166.04	216.78	0.5	4.01	225.84	215.73	145.97	164.94	215.73	227.31	187.07	199.73
USA (504)	244.77	-0.5	234.68	156.78	179.75	244.77	-0.5	2.42	245.97	234.95	156.98	179.84	245.97	245.97	182.33	188.73
Americas (650)	222.82	-0.5	213.64	142.72	163.62	187.21	-0.5	2.41	223.85	213.83	144.68	163.49	188.10	223.85	170.68	176.29
Europe (737)	197.10	0.2	188.98	126.25	144.74	166.05	0.6	3.05	196.75	187.94	127.17	143.70	165.13	199.02	163.04	171.35
Nordic (139)	282.02	1.2	270.39	180.64	207.09	235.89	1.4	1.87	278.74	266.26	180.16	203.58	232.60	295.02	215.79	229.77
Pacific Basin (832)	154.80	1.2	148.42	99.16	113.68	102.81	1.1	1.28	151.89	145.10	98.18	110.94	101.64	171.87	145.93	164.62
Euro-Pacific (1569)	172.33	1.1	165.23	110.38	126.55	126.66	0.9	2.12	170.50	162.86	110.20	124.52	125.80	179.33	154.73	167.35
North America (604)	238.65	-0.5	228.81	152.86	175.25	237.93	-0.5	2.42	239.74	229.00	164.95	175.09	239.03	239.74	178.86	185.05
Europe Ex. UK (531)	177.10	0.2	169.60	113.44	130.05	138.71	0.2	2.51	176.73	168.82	114.23	129.07	137.89	179.46	146.45	152.53
Pacific Ex. Japan (349)	245.02	0.8	234.93	156.94	179.93	215.86	0.5	3.42	243.67	232.79	157.50	177.97	214.78	266.72	211.19	256.10
World Ex. US (1760)	173.26	1.0	166.11	110.87	127.23	130.29	0.8	2.17	171.50	163.82	110.84	125.25	129.23	178.73	155.42	169.15
World Ex. UK (2058)	192.21	0.5	184.29	123.11	141.15	156.07	0.3	2.08	191.33	182.77	123.67	139.74	157.63	192.21	163.46	172.19
World Ex. Japan (1781)	222.93	-0.1	213.75	142.79	163.71	207.95	0.0	2.74	223.26	213.26	144.30	163.05	207.99	223.26	178.95	186.80
The World Index (2264)	195.17	0.4	187.13	125.01	143.32	163.19	0.3	2.27	194.35	185.65	125.62	141.94	162.70	195.17	165.92	174.62

Latest prices were unavailable for this edition. Market closed 20/11/95: Mexico

هكذا من الأصل